HELIOS FAIRFAX PARTNERS

# INTERIM REPORT

**For the three months ended March 31, 2022**

**Index to Management's Discussion and Analysis**

**Management's Discussion and Analysis**
**(as of May 13, 2022)**
*(Figures and amounts are in US$ and $ thousands except share and per share amounts and as otherwise indicated. Figures may not add due to rounding.)*

**Notes to Management's Discussion and Analysis**

(1) The Management's Discussion and Analysis ("MD&A") presents management's view of the financial condition and results of operations of Helios Fairfax Partners Corporation ("HFP" or the "company") as at and for the three months ended March 31, 2022 and should be read in conjunction with the interim consolidated financial statements thereof and the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2021 for additional commentary and information. Additional information relating to the company, including its annual information form, can be found on SEDAR at www.sedar.com. Additional information can also be accessed from the company's website www.heliosfairfax.com.
(2) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the interim 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) Throughout this MD&A, the term "Portfolio Investments" refers to deployed capital invested in public and private portfolio investments as disclosed in note 5 (Portfolio Investments and Related Party Derivatives and Guarantees) to the interim consolidated financial statements for the three months ended March 31, 2022.

**Forward-Looking Statements**

This MD&A may contain forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's or a Portfolio 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, a Portfolio 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 MD&A 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: the COVID-19 pandemic; the conflict in Ukraine; 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 Portfolio 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 Financial Holdings Limited ("Fairfax") and HFP Investments Holdings SARL ("Principal Holdco") may adversely affect the market price of the subordinate voting shares; emerging markets; South African black economic empowerment; economic risk; weather risk; taxation risks; MLI; and trading price of subordinate voting shares relative to book value per share. Additional risks and uncertainties are described in the company's annual information form dated March 22, 2022 which is available on SEDAR at www.sedar.com and on the company's website at www.heliosfairfax.com. 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.

**Specified Financial Measures**

The company discloses specified financial measures that are calculated using methodologies that are not in accordance with IFRS as issued by the IASB. The presentation of specified financial measures in this manner should not be considered as the only measure of our performance and should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. These financial measures do not have a standardized meaning prescribed under IFRS and are therefore unlikely to be comparable to similar financial measures presented by other companies. The company uses these financial measures in managing the business and believes these financial measures provide helpful information to investors. Reconciliations of the specified financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS have been presented, where applicable, within this MD&A. Refer to the Glossary of Non-GAAP and Other Financial Measures located at the end of this MD&A for details.

**Business Objectives**

**Investment Objective**

HFP 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 ("Portfolio Investments"). Generally, subject to compliance with applicable law, the company will make Portfolio Investments with a view to acquiring control or significant influence positions.

HFA Topco, L.P. ("TopCo LP" or the "Portfolio Advisor") is the portfolio advisor of the company and, through its sub-advisor, Helios Investment Partners LLP ("Helios" or the "Manager"), provides investment management services, investment advisory services and investment administration services to the company. 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 HFP South Africa Investments Proprietary Limited ("SA Sub") and a Mauritius-based subsidiary HFP Investments Limited ("Mauritius Sub").

**Investment Restrictions**

The company will not make a Portfolio 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 Portfolio Investments where, after giving effect to each such investment, the total invested amount of each such investment would be equal to or no more than 25.0% of the company's total assets (the "Investment Concentration Restriction").

The company intends to make multiple different investments as part of its prudent investment strategy. Portfolio 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 shareholders. At March 31, 2022, the company determined that it was in compliance with the Investment Concentration Restriction.

**Operating Environment**

***COVID-19***

The company's Portfolio Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19. Global recovery from the COVID-19 pandemic continued to progress during the first quarter of 2022, although its momentum has been continuously impacted by the introduction of new variants, and as a result, prolonged disruptions to global supply chains (further impacted by recent developments relating to the conflict in Ukraine, discussed below).

***Conflict in Ukraine***

On February 24, 2022 Russia invaded Ukraine, causing a major humanitarian crisis. As a result, countries around the world, largely led by western nations, have imposed economic sanctions against Russia ("the conflict in Ukraine"), including bans on the import of Russian oil and natural gas by certain countries including Canada and the United States. As a result of these sanctions, oil and other commodity prices increased sharply and were volatile throughout March 2022.

According to the World Economic Outlook (April 2022) published by the International Monetary Fund ("IMF"), the conflict in Ukraine is expected to set back the pace of global recovery, slowing growth and increasing inflation further. Global GDP growth was estimated at 3.6% in 2022 and 2023 (both revised downward from the IMF's January 2022 forecast). The decline largely reflected the cascading impacts of the conflict in Ukraine, such as anticipated decline in supply for Russia and Ukraine's key exports of oil, gas, metals, wheat and corn, resulting in increased food and fuel prices, adding to the supply chain disruptions already created by the COVID-19 pandemic. Oil prices soared to a 13-year high during the first quarter of 2022 and volatility increased as global markets reacted to the news of the conflict in Ukraine.

***Overview of African Operating Environment***

The company is optimistic about Africa's macroeconomic outlook and is of the view that the operating environment in Africa is less uncertain now than it has been for the past few years. Two years since the onset of the global pandemic, African businesses are learning to live with COVID-19. They have shifted from a survival mindset to a focus on recovery, managing challenges that include a rising cost environment and supply chain disruptions.

During the pandemic, capital markets in developed economies benefited from the injection of vast amounts of liquidity, including fiscal and monetary stimulus, in order to support their economies and capital markets. This has led to an overall rise in inflation, exacerbated by the spending of COVID-19-related accumulated savings. As a result, major central banks are under pressure to increase interest rates. While the traditional view is that an increase in rates in developed markets would trigger capital flows out of Africa, the company believes that in the current environment investors may pay closer attention to relative valuations which would put Africa in a favorable position.

Furthermore, the lifting of restrictions on movement worldwide will help the travel and hospitality industry to recover, which for some African economies represents a significant part of GDP.

The recent conflict in Ukraine is causing significant financial market volatility and social dislocation. Although the company does not have direct exposure to Russian and Ukrainian markets, the ultimate extent of the crisis is currently unknown and therefore the effect on the company is also not known. The Manager continues to monitor the effect on the investments and operations of the company.

**Implications of rising inflation for Africa**

Historically, rising inflation and interest rates in the developed world have led to a flight-to-safety mentality as investors rebalance their capital from risky assets (e.g., those in emerging markets) to assets that are perceived to be safer. The rationale driving this behavior is that, as interest rates increase, indebted issuers may struggle to repay their obligations, particularly floating rate instruments and those denominated in hard currency. In such circumstances, global investors seek opportunities to earn higher returns “at home”. As a consequence, local currencies in emerging markets usually depreciate as demand decreases, and their central banks are often forced to increase interest rates to discourage capital flight and to dampen the inflationary impact of higher commodity prices and depreciating currencies. These scenarios in emerging markets tend to be characterized by low economic growth, balance of payments crises, debt crises, or large currency devaluations.

Despite this backdrop of rising inflation and interest rates, the company believes the outlook in Africa is brighter owing to:

1. **African currencies being fairly valued**

   African currencies have already experienced significant depreciation against the US Dollar and the company therefore believes they are no longer overvalued in real terms. For example, between December 2018 and December 2021, the Ghanaian Cedi depreciated by about 26%, Nigerian Naira fell by 17%, while South African Rand and Kenyan Shilling both lost 11% of their value.

## 2. Rising commodity prices

Across the board, prices of industrial commodities are up (with the exceptions of iron and platinum), and the company believes there is a demand floor that may support persistent high prices. Energy prices are up due to an increase in global demand, supply and demand imbalances, inflation in industrial commodities, underinvestment in energy capacity as well as a hasty shift to cleaner fuel for which the world has not adequately prepared. The rapid rise in energy prices is positive for many African economies; those that are net exporters will benefit from improvements to their balance sheets and FX reserves. However, as both Russia and Ukraine are major suppliers of food commodities such as soya bean, wheat, barley, and sunflower oil to African countries, an extended conflict has the potential to further disrupt supply chains and continue to drive up the price of these commodities. The Manager continues to monitor the effect of these impacts on the investments and operations of the company.

## 3. Strong remittance inflows

Remittances are non-commercial transfers of money sent from abroad. During the pandemic, remittances to African countries have risen significantly. Full employment and wage inflation on a global basis means that Africans living abroad have been able to increase remittances. For example, in the case of Morocco, in 2021 remittances were up 25% from 2020 and accounted for 7% of GDP (equivalent to the country's tourism industry). In many African markets, these flows tend to be larger than Foreign Direct Investments ('FDI'), which are any investments made by a foreign entity. In 2020, FDI inflows in Africa accounted for approximately $40 billion versus $83 billion for remittances.

## Debt positions and political outlook

The company observes that risk is mispriced across the credit spectrum. Many countries across emerging markets have raised significant amounts of debt during the pandemic in order to inject liquidity into their economies and avoid a recession. A global debt crisis could ensue, and a widening of spreads would leave heavily indebted countries with floating instruments and maturities due soon in a vulnerable position. This is particularly the case for Latin America ("LatAm") which appears to be coming out of the pandemic with deeper structural problems. In addition to high debt levels, the region experienced slow growth prior to the pandemic (a meager 0.8% year-on-year between 2014 and 2019). Further, although currencies in LatAm traditionally had a strong positive relationship with commodity prices, this time around local currencies have come under pressure as markets are pricing in not just the high debt levels but also the potential damaging effects that far left policies could have on their economies.

The company believes such a scenario is less likely to unfold in Africa. As mentioned above, local currencies seem to be fairly valued and capital inflows are likely to be buoyed by higher commodity prices (for net exporters), remittances, and potential portfolio inflows given attractive relative valuations. Furthermore, as interest rates in Africa did not decrease during the pandemic to the same extent of those in developed markets internationally, rising interest rates will not have the same impact on African economies as may be experienced by more developed countries.

The continent registered GDP growth of about 4% in the five years prior to COVID-19. Further, debt levels in the region appear sustainable, with no significant maturities due in the near-term. The average debt-to-GDP ratio in sub-Saharan Africa is 50% versus 70% for Asia and 73% for LatAm. Across the continent, the countries with debt-to-GDP ratios above 90% include Sudan (210%), Mozambique (134%), Angola (104%), Zambia (101%), and Egypt (91%). The company notes that its portfolios currently have limited exposure to these countries.

From a political perspective, the continent has seen elections come and go in a relatively straightforward manner over the past 10 years (with a few exceptions, such as Côte d'Ivoire, Mali, Tunisia, Egypt, Guinea and Burkina Faso which have experienced political instability). In Kenya, presidential elections are scheduled to take place in August 2022. The current President is expected to stand down, having reached the constitutional limit of two five-year terms. The Deputy President and the historical opposition leader are both running and political campaigns are focused on who is best placed to improve the economy. The winning candidate will likely maintain a certain continuity as both front runners have been in the regime for over two decades. In South Africa, the incumbent president will be vying to remain party leader in the African National Congress ("ANC") elections in December. Consequently, political in-fighting is expected, even as the ANC celebrates its 100$^{th}$ year.

## Business Developments

### Capital Transactions

On March 3, 2022, the company a $70,000 secured, revolving demand credit facility with FirstRand Bank Limited (acting through its Rand Merchant Bank division) (the "RMB Facility"), bearing interest at a rate of the compound reference rate plus 6.88%, payable quarterly. The RMB Facility matures on March 3, 2027. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2022 for additional details.

On March 31, 2021, Fairfax Financial Holdings Limited ("Fairfax"), through its affiliates, invested $100,000 in 3.0% unsecured debentures of HFP (the "HFP 3.0% Debentures") and 3,000,000 warrants (the "HFP Warrants"). Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2022 for additional details.

During the first three months of 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 65,882 subordinate voting shares for a net cost of $223 and $313 was recorded as a benefit in retained earnings.

*Subsequent to March 31, 2022*

Subsequent to March 31, 2022, under the terms of the automatic share purchase plan in place for the normal course issuer bid, 22,894 subordinate voting shares were purchased on behalf of the company for a net cost of $82.

On May 2, 2022, the automatic share purchase plan pursuant to which shares can be purchased under the normal course issuer bid during times when the company normally would not be active in the market was terminated by the company and designated broker.

## Portfolio Investments

### Cautionary Statement Regarding Financial Information of Significant Portfolio Investments

HFP has agreed to voluntarily provide within its MD&A, summarized unaudited financial information prepared for all of its Portfolio 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 TopCo LP prepare their financial statements in accordance with IFRS as issued by the IASB (TopCo LP and AGH collectively, "Significant Portfolio Investments"). Such unaudited financial information is the responsibility of the respective management teams 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 is limited in respect to the amount of independent verification it is able to perform with respect to the financial statements of AGH.

The company's investments in TopCo LP and AGH have fiscal years which end on December 31 and March 31 respectively. Summarized financial information of the company's Significant Portfolio 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.

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

### Summary of Portfolio Investments and Related Party Derivatives and Guarantees

The table below provides a summary of the company's Portfolio Investments and related party derivatives and guarantees:

| | | March 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | Initial Year of Acquisition | Net consideration (1) | Fair value | Net change | Net consideration (1) | Fair value | Net change |
| **Portfolio Investments (excluding Portfolio Investments with related party derivatives and guarantees)(2):** | | | | | | | |
| ***Public Investments:*** | | | | | | | |
| Common Shares | 2020 | **12,818** | **33,112** | **20,294** | 12,818 | 29,292 | 16,474 |
| Total Public Investments | | **12,818** | **33,112** | **20,294** | 12,818 | 29,292 | 16,474 |
| ***Private Investments:*** | | | | | | | |
| Limited partnership investments: | | | | | | | |
| TopCo LP Class A Limited Partnership Interest | 2020 | **87,371** | **87,574** | **203** | 87,371 | 90,223 | 2,852 |
| TopCo LP Class B Limited Partnership Interest | 2020 | **184,424** | **156,197** | **(28,227)** | 184,424 | 159,959 | (24,465) |
| Helios Fund IV Limited Partnership Interest | 2021 | **27,353** | **34,840** | **7,487** | 31,967 | 38,866 | 6,899 |
| | | **299,148** | **278,611** | **(20,537)** | 303,762 | 289,048 | **(14,714)** |
| Common Stocks: | | | | | | | |
| NBA Africa | 2021 | **30,000** | **33,416** | **3,416** | 30,000 | 33,416 | 3,416 |
| Trone | 2021 | **15,528** | **15,528** | **—** | 15,528 | 15,528 | — |
| Indirect equity interest in Access Bank SA | 2018 | **19,403** | **1,174** | **(18,229)** | 19,403 | 1,288 | (18,115) |
| Indirect equity interest in Nova Pioneer | 2021 | **38,811** | **38,811** | **—** | 38,811 | 38,811 | — |
| | | **103,742** | **88,929** | **(14,813)** | 103,742 | 89,043 | (14,699) |
| Loans: | | | | | | | |
| CIG Loan | 2018 | **23,270** | **20,530** | **(2,740)** | 23,270 | 18,797 | (4,473) |
| AFGRI International Facility | 2021 | **9,600** | **10,143** | **543** | 9,600 | 9,726 | 126 |
| | | **32,870** | **30,673** | **(2,197)** | 32,870 | 28,523 | (4,347) |
| Bonds: | | | | | | | |
| Atlas Mara 11.0% Convertible Bonds | 2018 | **15,040** | **—** | **(15,040)** | 15,040 | 28 | (15,012) |
| Atlas Mara 7.5% Bonds | 2018 | **16,476** | **20,000** | **3,524** | 16,476 | 20,000 | 3,524 |
| | | **31,516** | **20,000** | **(11,516)** | 31,516 | 20,028 | (11,488) |
| Total Private Investments | | **467,276** | **418,213** | **(49,063)** | 471,890 | 426,642 | (45,248) |
| **Total Portfolio Investments (excluding Portfolio Investments with related party derivatives and guarantees)** | | **480,094** | **451,325** | **(28,769)** | 484,708 | 455,934 | (28,774) |
| **Portfolio Investments with related party derivatives and guarantees(2):** | | | | | | | |
| Reference Investments & HFP Redemption Derivative: | | | | | | | |
| Indirect equity interest in AGH | 2017 | **97,073** | **61,400** | **(35,673)** | 97,073 | 60,416 | (36,657) |
| Philafrica common shares | 2018 | **23,254** | **7,435** | **(15,819)** | 23,254 | 9,155 | (14,099) |
| Philafrica Facility | 2020 | **5,622** | **8,069** | **2,447** | 5,622 | 7,219 | 1,597 |
| HFP Redemption Derivative | 2021 | **—** | **13,824** | **13,824** | — | 15,906 | 15,906 |
| | | **125,949** | **90,728** | **(35,221)** | 125,949 | 92,696 | (33,253) |
| Atlas Mara Facility & Guarantee | | | | | | | |
| Atlas Mara Facility | 2020 | **28,182** | **6,712** | **(21,470)** | 28,182 | 6,822 | (21,360) |
| Atlas Mara Facility Guarantee | 2020 | **—** | **33,839** | **33,839** | — | 32,046 | 32,046 |
| | | **28,182** | **40,551** | **12,369** | 28,182 | 38,868 | 10,686 |
| **Total Portfolio Investments with related party derivatives and guarantees** | | **154,131** | **131,279** | **(22,852)** | 154,131 | 131,564 | (22,567) |
| **Total Portfolio Investments and related party derivatives and guarantees** | | **634,225** | **582,604** | **(51,621)** | 638,839 | 587,498 | (51,341) |

*(1) Comprised of net cash consideration invested since the initial investment, with the exception of TopCo LP Class A and Class B Limited Partnership Interests and indirect equity interest in Nova Pioneer.*

*(2) In connection with the HFP 3.0% Debentures, the company has entered into related party guarantees with Fairfax (see notes 7 and 12 to the interim consolidated financial statements for the three months ended March 31, 2022).*

***Public Portfolio Investments***

The company's Public Portfolio Investments are as follows:

***Common Shares***

At March 31, 2022 and December 31, 2021, the company held less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange and the London Stock Exchange.

At March 31, 2022, the fair value of the company's investment in the Common Shares was $33,112 (December 31, 2021 - $29,292), determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

***Private Portfolio Investments***

**Cautionary Statement Regarding the Valuation of Private Portfolio Investments**

In the absence of an active market for the company's Private Portfolio 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 Portfolio Investments could be disposed of may differ from the fair values assigned and those differences may be material.

While the company's valuation techniques for Private Portfolio Investments remained unchanged during the first quarter of 2022, the development of unobservable inputs included added uncertainty related to the economic disruption caused by the ongoing COVID-19 pandemic. The company does not have any direct exposure to Russian or Ukrainian markets and as such, the extent of the conflict in Ukraine and the potential impact on the Private Portfolio Investments is unknown.

***Limited Partnership Investments***

*TopCo LP*

*Business Overview*

TopCo LP, an affiliate of Helios Holdings Limited ("HHL", together with one or more of its affiliates, as the context requires, the "Helios Holdings Group"), is a limited partnership established under the laws of Guernsey and controlled by its general partner, HFA GP (Guernsey) Limited, an affiliate of the Helios Holdings Group. TopCo LP was formed as the investment vehicle through which HFP will receive cash flows from its entitlement to certain Helios fee streams. TopCo LP is the portfolio advisor of the company and its consolidated subsidiaries and has entered into a sub-advisory agreement with the Manager to provide the investment and advisory services to HFP. TopCo LP receives investment advisory fees from HFP.

*TopCo LP Class A Limited Partnership Interest*

TopCo LP is a limited partner of Helios Investors Genpar, L.P., HIP Equity II, L.P., HIP Equity III, L.P. and HIP Equity IV, L.P. (collectively, the “Carried Interest Recipients”) and as such is entitled to receive Carried Interest Proceeds, which HFP is entitled to receive, through HFP’s ownership of TopCo LP Class A Limited Partnership Interests, when relevant amounts become available for distribution. The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent it has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts established by each Helios Fund in accordance with their respective governing documents. At March 31, 2022 and December 31, 2021, the company was not subject to any clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest.

*TopCo LP Class B Limited Partnership Interest*

TopCo LP also entered into contractual arrangements with certain Helios Holdings Group entities, pursuant to which the Helios Holdings Group entities entitled to receive management fees assigned their respective rights to receive all management fees to TopCo LP and TopCo LP agreed to pay all expenses incurred in order to receive the management fees ("Excess Management Fees"). HFP's ownership of TopCo LP Class B Limited Partnership Interests entitles HFP to receive Excess Management Fees after a six-month holding period by TopCo LP.

At March 31, 2022 and December 31, 2021, HFP held all of the issued and outstanding Class A and Class B Limited Partnership Interests of TopCo LP.

*Key Business Drivers, Events, and Risks*

TopCo LP is structured to accumulate and distribute Carried Interest Proceeds from the Carried Interest Recipients and Excess Management Fees from the Helios Holdings Group to HFP by virtue of HFP's TopCo LP Class A and Class B Limited Partnership Interests respectively, and the investment and advisory fees from HFP to the Helios Holdings Group. The Carried Interest Proceeds and Excess Management Fees are received from underlying Helios Funds, managed by the Helios Holdings Group.

*TopCo LP Class A Limited Partnership Interest*

In December 2021, TopCo LP's limited partnership agreement was amended to commit HFP to contributing no more than 50.0% of either $15,000 or 2.0% of total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV and future Helios Funds ("Management Team Commitment") in exchange for pro rata limited partnership interest not subject to management fees and carried interest. Contributions in excess of this limit require consultation in good faith with the company and with Fairfax. This represents 50% of the Helios Holdings Group's management team commitment and is to be contributed to TopCo LP by HFP as the TopCo LP Class A Limited Partnership Interest holder. On December 14, 2021, TopCo LP issued a capital call for $4,718 to HFP as the TopCo LP Class A Limited Partnership Interest holder to fund 50.0% of the Management Team Commitment and HFP recognized a $4,718 increase in the investment in TopCo LP Class A Limited Partnership Interest and a corresponding increase in payable to related parties. On February 21, 2022, Helios Fund IV received additional limited partnership commitments, thereby reducing the company's commitment with respect to Management Team Commitments for Fund IV and resulting in an equalization capital adjustment of $652 to the company. At March 31, 2022, the company's remaining capital commitment to TopCo LP with respect to the Management Team Commitment was $3,434.

In 2021, TopCo LP declared a distribution of $7,733 and accordingly, the company recorded a receivable from related parties of $7,733.

On January 7, 2022, the payable to related parties of $4,718 related to the Management Team Commitment and the distribution receivable from TopCo of $7,733 were settled on a net basis and the company received cash of $3,015.

*Subsequent to March 31, 2022*

On April 28, 2022, the company received a distribution from TopCo LP of $652 relating to the equalization capital adjustment.

*TopCo LP Class B Limited Partnership Interest*

In 2021, the company recognized a distribution receivable from its TopCo LP Class B Limited Partnership Interest of $2,410, which reflected Excess Management Fees earned during 2021. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class B Limited Partnership Interest and a receivable from related parties of $2,410. On January 24, 2022, the company received a distribution of $1,440 of Excess Management Fees earned during the first six months of 2021.

*Valuation and Interim Consolidated Financial Statement Impact*

*TopCo LP Class A Limited Partnership Interest*

At March 31, 2022 the company estimated the fair value of its TopCo LP Class A Limited Partnership Interest using a sum-of-the-parts valuation comprised of:

(i) Fair value of Carried Interest Proceeds on Helios Funds which were determined using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed discount rates ranging from 23.2% to 29.2% (December 31, 2021 - 22.8% to 28.8%), target exit multiples of invested capital averaging 2.3x to 3.2x across Helios Funds II, III, and IV (December 31, 2021 - 2.5x to 3.0x), and forecasted exit dates ranging from 2022 to 2024 for Helios Funds II and III, and from 2022 to 2027 for Helios Fund IV (December 31, 2021 - 2022 to 2024 and 2022 to 2027). At March 31, 2022 free cash flow forecasts were based on estimates of Carried Interest Proceeds derived for each fund in accordance with waterfall provisions, prepared by Helios' management;

(ii) Fair value of Carried Interest Proceeds from a co-investment vehicle which was based on the traded share price of the listed portfolio investment; and

(iii) Fair value of TopCo LP's direct interest in Helios Fund IV arising from the $7,500 (50% of $15,000) Management Team Commitment which was valued based on the net asset value of Helios Fund IV; TopCo LP's interest in Helios Fund IV does not bear management fees or carried interest.

The limited partnership agreement for each Helios Fund includes a distribution waterfall provision, which is common in private equity fund structures, and requires that proceeds (generated following realizations or partial realizations of the relevant fund's investments or as other income becomes available to the relevant fund for distribution) are distributed in four stages: (i) a return of amounts contributed by investors and not previously repaid to those investors by the fund; (ii) an 8% preferred return to investors; (iii) a "catch-up" amount to the relevant Helios Holdings Group entity equal to 20% of all amounts distributed to all partners in excess of amounts distributed to limited partners to repay their drawn down capital contributions; and (iv) a split of all remaining profits between limited partners and the relevant Helios Holdings Group entity at an 80:20 ratio.

*Free Cash Flow Forecast Inputs*

The primary drivers of free cash flow estimates are the exit assumptions on Helios Funds' underlying portfolio investments, including the planned exit strategy, target exit multiples of invested capital and timing of exit. The target exit multiple of invested capital for an underlying portfolio investment is equal to the fund's expected total proceeds divided by the expected total cost from initial investment to exit. Carried Interest Proceeds which may arise in future Helios Funds have been excluded from free cash flow estimates. In the event that target exit timings are not met and delayed in future periods, this may result in a negative impact on the fair value of the company's TopCo LP Class A Limited Partnership Interest.

*Current Model Assumptions*

The following table describes the components of fair value, which include the Helios Funds and co-investments, and provides a summary of inputs used in the company's internal valuation model to estimate the fair value of the company's investment in the TopCo LP Class A Limited Partnership Interest at March 31, 2022:

| | | | Model inputs: | | | | |
|---|---|---|---|---|---|---|---|
| **Components of value** | **Vintage Year** | **Committed Capital** | **Target exit year** | **Average target exit multiple of invested capital** | **Discount rate** | **HFP's share of carried interest** | **Fair value** |
| Helios Investors II, L.P. ("Helios Fund II")[(1)] | 2009 | 908,500 | 2022-2024 | 2.5x | 23.2% | 25.0 % | 29,590 |
| Helios Investors III, L.P. ("Helios Fund III")[(2)] | 2014 | 1,117,000 | 2022-2024 | 2.3x | 26.7% | 25.0 % | 44,352 |
| Helios Investors IV, L.P. ("Helios Fund IV")[(3)] | 2020 | 295,800 | 2022-2027 | 3.2x | 29.2% | 50.0 % | 4,791 |
| Carried interest on co-investment | 2011 | 47,500 | 2022 | 7.3x | N/A | 25.0 % | 3,574 |
| **Fair value of Carried Interest Proceeds** | | | | | | | 82,307 |
| Fair value of direct interest in Helios Fund IV through Management Team Commitment | | | | | | | 5,267 |
| **Fair value of TopCo LP Class A Limited Partnership Interest** | | | | | | | 87,574 |

(1) Helios Fund II is a private equity fund domiciled in the Cayman Islands that was formed in 2009 with the purpose of investing in companies that operate primarily in Africa. At March 31, 2022 the underlying portfolio investments in Helios Fund II were primarily comprised of investments in: (i) a public company operating in the fuel distribution sector across Africa; (ii) a private company offering electronic payment processing services in Nigeria; (iii) a public company operating in the telecommunication infrastructure sector across Africa; and (iv) a private company operating in the financial services sector across Africa.

(2) Helios Fund III is a private equity fund domiciled in the Cayman Islands that was formed in 2014 with the purpose of investing in companies that operate primarily in Africa. At March 31, 2022 the underlying portfolio investments in Helios Fund III were primarily comprised of investments in: (i) a private company operating in the financial services sector across Africa; (ii) a public company providing electronic payment processing services in Egypt; (iii) a private company operating in the gas distribution sector in Nigeria; (iv) a private company that importing and distributing agricultural inputs across Africa; (v) a private company operating a liquefied natural gas terminal in Ghana; (vi) a private company operating in the agricultural sector in Egypt; and (viii) a private company providing electronic payment processing services in Egypt.

(3) Helios Fund IV is a private equity fund domiciled in the Cayman Islands that was formed in 2020 with the purpose of investing in companies that operate primarily in Africa. At March 31, 2022 the underlying portfolio investments in Helios Fund IV were primarily comprised of investments in: (i) a private company operating in the discount grocery retail space in Morocco; (ii) a private company providing electronic payment processing services globally (including Africa); (iii) a private insurance company established in 2020 and expected to operate across Africa; and (iv) a private company operating in medical devices, in vitro diagnostics and pharmaceuticals in Morocco.

The continued growth in these underlying companies' businesses, profits and their implied valuations is expected to yield attractive exit valuations, allowing the Helios Funds to realize at profitable exit multiples of invested capital. Helios Funds II and III, which together form a significant part of the fair value of Carried Interest Proceeds, are currently on track to meet their target exit dates through 2022 to 2024 with Carried Interest Proceeds expected to be realized beginning in 2023.

At March 31, 2022, the company's internal valuation model indicated that the fair value of its TopCo LP Class A Limited Partnership Interest was $87,574 (December 31, 2021 - $90,223).

*TopCo LP Class B Limited Partnership Interest*

At March 31, 2022, the company estimated the fair value of its TopCo LP Class B Limited Partnership Interest using a discounted cash flow analysis based on multi-year probability-weighted free cash flow forecasts with an assumed discount rate of 14.5%, growth in assets under management of 23.1%, probability weightings of 25.0% to 75.0% on future fundraising initiatives implying an average reduction in unweighted future cash flows of 24.2%, a long term pre-tax profit margin of 42.2% and a long term growth rate of 4.5% (December 31, 2021 - multi-year conditional free-cash flow forecasts with an assumed discount rate of 14.1%, growth in assets under management of 23.1%, a long term pre-tax profit margin of 42.2% and a long term growth rate of 4.5%). At March 31, 2022, free cash flow forecasts were based on Excess Management Fee forecasts prepared by Helios' management.

*Free Cash Flow Forecast Inputs*

The primary drivers of the free cash flow estimates are the forecasted growth in assets under management over eight years through the creation of new Helios private equity funds, as well as raising capital for new strategies such as climate and venture capital funds and the establishment of permanent capital vehicles to invest in listed African stocks. Growth in profit margins is driven by growth in assets under management, combined with the use of operating leverage. Based on $1.3 billion in fee-bearing committed capital in place at the end of the fourth quarter of 2021 and growth over eight years to $6.9 billion in projected assets under management, the forecasted growth in assets under management implies a compound annual growth rate in committed capital of 23.1% over the eight-year forecasting period. In the event that TopCo LP does not achieve its forecasted growth in assets under management in future periods, this may result in a negative impact on the fair value of the company's TopCo LP Class B Limited Partnership Interest.

*Current Model Assumptions*

Long term pre-tax profit margins of 42.2% at March 31, 2022 (December 31, 2021 - 42.2%) were estimated by Helios' management based on pre-tax management fee-related earnings margins. Pre-tax profit margins are forecasted to increase over an eight-year period driven primarily by growth in assets under management and the expected use of operating leverage. Fee-related earnings on future fundraising initiatives were probability weighted in a manner described below, resulting in expected long term pre-tax profit margins that were comparable to publicly listed global private equity asset managers.

Probability weightings were assigned to Excess Management Fees for each future initiative. Lower probability weightings were assigned to earnings arising from fee-bearing capital in the following decreasing order of probability: (i) follow-on private funds of current strategies; (ii) initiation of new strategies to be executed through future private funds and permanent capital vehicles; and (iii) follow-on private funds of these new strategies.

The discount rate increased to 14.5% at March 31, 2022 from 14.1% at December 31, 2021. At March 31, 2022, the discount rate of 14.5% continued to include certain risk premiums commensurate with the risks inherent in the probability-weighted expected future cash flows.

Long term growth rates of 4.5% at March 31, 2022 (December 31, 2021 - 4.5%) were based on the expected long term sustainable growth rate of the economic environments and sectors in which the investment operates.

At March 31, 2022, the company's internal valuation model indicated that the fair value of its TopCo LP Class B Limited Partnership Interest was $156,197 (December 31, 2021 - $159,959).

*TopCo LP's Summarized Financial Information*

Summarized below is TopCo LP's balance sheet as at December 31, 2021.

Balance Sheet
*(unaudited - US$ thousands)*

| | December 31, 2021 |
|---|---|
| **Assets** | |
| Cash | **4,663** |
| Equity interest in limited partnerships | **90,223** |
| Future net fee related earnings | **159,959** |
| Due from affiliates | **13,880** |
| **Total assets** | **268,725** |
| | |
| **Liabilities** | |
| Due to affiliates | **8,400** |
| Amounts due to Class A interest holder | **90,223** |
| Amounts due to Class B interest holder | **159,959** |
| Distributions payable to Class A interest holder(1) | **7,733** |
| Distributions payable to Class B interest holder(2) | **2,410** |
| **Total liabilities** | **268,725** |

*(1) On January 7, 2022, the company received a distribution of carried interest proceeds.*
*(2) On January 24, 2022, the company received a distribution of $1,440 related to Excess management Fees earned during the first six months of 2021.*

Summarized below is selected information from TopCo LP for the year ended December 31, 2021.

Realized gain from future net fee related earnings
*(unaudited - US$ millions)*

| | Year ended December 31, 2021 |
|---|---|
| Management fees earned | **33,312** |
| Expenses incurred | **30,902** |
| Realized gain from future net fee related earnings (Excess Management Fees to HFP) | **2,410** |

Summarized below is selected information from the Helios Funds for the year ended December 31, 2021. Unrealized carried interest represents the amount of carried interest that would have been realized if all the portfolio investments in the respective Helios Funds were to be exited at their reporting date fair values.

Unrealized carried interest
*(unaudited - US$ thousands)*

| | **Year ended December 31, 2021** |
|---|---|
| Helios Investors, LP | **1,189** |
| Helios Investors II, L.P. | **142,599** |
| Helios Investors III, L.P. | **190,419** |
| Helios Investors IV, L.P. | **6,562** |
| Peak Co-investment LP | **14,177** |
| Unrealized carried interest | **354,946** |

TopCo LP's share of unrealized carried interest of the Helios Funds noted above is 25% for Helios Funds I-III and Peak Co-investment LP, and 50% of Helios Fund IV.

*Helios Fund IV*

Helios Investors IV, L.P. ("Helios Fund IV") is a limited partnership based in the Cayman Islands, structured to receive and deploy capital from limited partners with the objective of earning returns from investments directly or indirectly in, or with a nexus to, Africa. Helios Fund IV is controlled by its general partner, Helios Investors Genpar IV, Ltd. ("Helios Fund IV GP").

As of December 31, 2021, Helios Fund IV made investments in: (i) TTMFS Singapore, a private company that provides electronic payment processing services globally (including Africa); (ii) Africa Specialty Risks, a private re-insurance company established in 2020 and expected to operate across Africa; (iii) BIM Stores Morocco, a private company operating in the discount grocery retail space in Morocco; and (iv) Trone, a private company operating in medical devices, in vitro diagnostics and pharmaceuticals in Morocco.

On March 31, 2021, the company committed to invest $50,000 in Helios Fund IV. In 2021, the company funded aggregate capital calls of $31,451, plus equalization interest of $516 for total funding of $31,967, representing 16.9% of the limited partnership interest in Helios Fund IV based on committed capital. As agreed in a side letter with the Helios Fund IV GP, the company was admitted to Helios Fund IV as a "Listed Fund" under the terms of Helios Fund IV's limited partnership agreement, as amended and restated (the "Helios Fund IV LPA"), meaning that the company will not incur any management fees nor any carried interest payable to Helios Fund IV GP with respect to its investment in Helios Fund IV, which would otherwise be incurred in accordance with the Helios Fund IV LPA.

On February 21, 2022, Helios Fund IV received additional limited partnership commitments, resulting in an equalization capital adjustment of $4,614 paid to the company on March 9, 2022 and reducing the company's interest based on committed capital to 14.9%. At March 31, 2022, the company had funded aggregate capital calls of $27,109, plus equalization interest of $244, for total funding of $27,353, representing 14.9% (December 31, 2021 - $31,967 and 16.9%) of the limited partnership interest in Helios Fund IV based on committed capital.

At March 31, 2022, the company's remaining capital commitment to Helios Fund IV was $22,891 (December 31, 2021 - $18,549), which may be called at any time by Helios Fund IV GP in accordance with the Helios Fund IV LPA.

At March 31, 2022, the company estimated the fair value of its investment in Helios Fund IV Limited Partnership Interest to be $34,840 (December 31, 2021 - $38,866).

***Common Shares***

*NBA Africa*

HFP US Investments, Inc. ("U.S. Holdco") is a wholly-owned holding company, formed for the sole purpose of investing in NBA Africa, LLC ("NBA Africa"), an entity formed by the National Basketball Association ("NBA") to conduct the league's business in Africa including the Basketball Africa League, a partnership between the NBA and the International Basketball Federation.

At March 31, 2022 and December 31, 2021, the company, through its U.S. Holdco, had invested $30,000 in exchange for an equity interest in NBA Africa.

At March 31, 2022, the company estimated the fair value of its investment in NBA Africa to be $33,416 (December 31, 2021 - $33,416).

*Trone Holdings*

Trone Holdings is a holding company based in London, United Kingdom, created for the purpose of holding an equity interest in a Moroccan medical technology distribution group ("Trone"). Trone's business is centered around the distribution and maintenance of medical imaging and diagnostic equipment, and the production and distribution of contrast pharmaceuticals for imaging.

At March 31, 2022 and December 31, 2021, the company had invested $15,528 for a 22.0% equity interest in Trone Holdings. Helios Fund IV holds the remaining 78.0% equity interest in Trone Holdings. Trone Holdings, together with the founding partner and management of Trone, holds the entire equity interest in SPV Rayon Holdings ("SPV Rayon"), a Moroccan holding company which owns 100.0% of Trone's operating businesses.

At March 31, 2022, the company estimated the fair value of its 22.0% equity interest in Trone Holdings to be $15,528 (December 31, 2021 - $15,528).

*Indirect equity interest in AGH*

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. 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 presence in several markets in Africa and Western Australia. AGH is also involved in food businesses, as it owns and operates maize and wheat mills, animal feed factories, and snacking and bread production facilities. Additional information can be accessed from AGH's website www.agh.co.za.

At March 31, 2022 and December 31, 2021, the company had invested $98,876 in Joseph Investment Holdings ("Joseph Holdings") (comprised of $88,744 for 74.6% in common shares and 73.7% in Class A shares of Joseph Holdings, providing a 74.6% voting interest and $10,132 as a shareholder loan). Through its investment in Joseph Holdings, HFP is the largest beneficial shareholder of AGH. HFP has a 46.8% indirect equity interest (December 31, 2021 - 46.8%) in AGH.

On August 24, 2021, AGH entered into a debt restructuring agreement with its lenders which formalized a monthly repayment plan to fully repay certain lenders by December 31, 2021 through monetization or sale of certain non-core assets. In addition, AGH and certain other lenders agreed to a further debt standstill until May 31, 2022 and December 31, 2022.

At March 31, 2022, the company estimated the fair value of its 46.8% indirect equity interest in AGH to be $61,400 (December 31, 2021 - $60,416).

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2022), Fairfax guaranteed a floor valuation of the company's investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers "Indirect equity interest in AGH", "Philafrica Foods Proprietary Ltd." and "Philafrica Facility"), and the PGR2 Loan (collectively, the "Reference Investments"), giving rise to the HFP Redemption Derivative described later in this note.

*AGH's Summarized Financial Information*

To avoid the distortion caused by foreign currency translation, the tables below present AFGRI Holdings' financial and operating results in both U.S. dollars and South African rand (AFGRI Holdings' 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 AFGRI Holdings' fiscal year ends on March 31. Summarized below are the consolidated balance sheets for AFGRI Holdings at December 31, 2021 and March 31, 2021.

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

| | South African rand | | US$ | |
|---|---|---|---|---|
| | **December 31, 2021** | **March 31, 2021** | **December 31, 2021[(1)]** | **March 31, 2021[(1)]** |
| Current assets | 8,637,722 | 6,539,181 | 541,211 | 442,734 |
| Non-current assets | 3,521,103 | 3,455,532 | 220,620 | 233,956 |
| Current liabilities | 8,482,947 | 6,739,344 | 531,513 | 456,286 |
| Non-current liabilities | 1,856,836 | 1,463,208 | 116,343 | 99,066 |
| Shareholders' equity | 1,819,042 | 1,792,161 | 113,975 | 121,338 |

*(1) The net assets of AFGRI Holdings were translated at December 31, 2021 at $1 U.S. dollar = 15.96 South African rand and at March 31, 2021 at $1 U.S. dollar = 14.77 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets increased primarily reflecting an increase in inventory and trade receivables, driven mostly by the seasonality of the business and the higher commodity price environment. Non-current assets remained relatively constant. Current liabilities increased primarily reflecting an increase in borrowings from banks to finance trade receivables, originating mostly at the grain management business and relating to grain commodities bought on behalf of clients. Non-current liabilities increased primarily due to the implementation of AGH's debt restructuring plan, the acquisition of Agri Implements ("AIM") in Australia, the rental liability associated with the sale and leaseback of retail properties, and the increase in deferred income tax liabilities. Shareholders' equity remained relatively stable during the period.

Summarized below are AFGRI Holdings' consolidated statements of earnings for the nine months ended December 31, 2021 and 2020.

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

| | South African rand | | US$ | |
|---|---|---|---|---|
| | **Nine months ended December 31, 2021** | **Nine months ended December 31, 2020** | **Nine months ended December 31, 2021[(1)]** | **Nine months ended December 31, 2020[(1)]** |
| Revenue from continuing operations[(2)] | 13,286,532 | 11,249,487 | 903,787 | 672,012 |
| Income (loss) before taxes[(2)] | 256,741 | (295,381) | 17,464 | (17,645) |
| Net income (loss) | 76,814 | (376,641) | 5,225 | (22,499) |

*(1) Amounts for the nine months ended December 31, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 14.70 South African rand and $1 U.S. dollar = 16.74 South African rand prevailing during those periods.*
*(2) Revenue from continuing operations and Income (loss) before taxes for the nine months ended December 31, 2020 have been restated to reflect discontinued operations.*

Revenues increased primarily due to strong equipment sales in both South Africa and Australia following a good agricultural year and elevated commodity prices, increased market share through the AIM acquisition, and elevated sales prices in Philafrica's businesses, partially offset by decreased sales volume in Philafrica's businesses due to competitive pressures. These results were dampened by volume and margin pressure reported at AFGRI's financial services business due to the smaller management fee under its transitional management agreement which ended on September 30, 2021. Effective October 1, 2020, revenues include retail operations, previously equity-accounted, following the acquisition of certain retail-related assets from a former joint venture. Income before taxes and net income increased primarily due to the revenue drivers discussed above, partially offset by margin pressures in the financial services business due to reduction in book size.

*Philafrica Foods Proprietary Ltd.*

Philafrica Foods Proprietary Ltd. ("Philafrica") is a South African entity that owns and operates maize and wheat mills, animal feed factories, and snacking and bread production facilities. Additional information can be accessed from Philafrica's website www.philafricafoods.com.

At March 31, 2022 and December 31, 2021, the company had invested $23,254 (325.0 million South African rand) into 26,000 common shares or 26.0% equity interest in Philafrica. Philafrica is controlled by AGH through AGH's 60.0% equity interest.

At March 31, 2022, the company estimated the fair value of its investment in Philafrica common shares to be $7,435 (December 31, 2021 - $9,155).

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2022), Fairfax guaranteed a floor valuation of the company’s investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers “Indirect equity interest in AGH”, "Philafrica Foods Proprietary Ltd." and "Philafrica Facility"), and the PGR2 Loan (collectively, the "Reference Investments"), giving rise to the HFP Redemption Derivative described later in this note.

*Indirect equity interest in Nova Pioneer*

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 operates fourteen schools with a combined enrollment of approximately 4,900 students. Nova Pioneer is wholly-owned by Ascendant Learning Limited ("Ascendant"), its Mauritius-based parent entity.

On July 1, 2021, Nova Pioneer redeemed the company's 20.0% Nova Pioneer debentures (the “Nova Pioneer Bonds”) with an aggregate fair value of $34,711 and settled interest accrued of $4,100 by issuing Ascendant common shares with a fair value of $38,811.

At March 31, 2022 and December 31, 2021, the company had invested an aggregate of $38,811 for a 56.3% equity interest in Ascendant (“Indirect equity interest in Nova Pioneer)”. The company determined that the transaction price for its indirect equity interest in Nova Pioneer approximated fair value at March 31, 2022 and December 31, 2021 as there have been no significant changes to Nova Pioneer's business, capital structure or operating environment.

*Indirect equity interest in Access Bank SA*

GroCapital Holdings Limited ("GroCapital Holdings") is a holding company that owns 4.8% of Access Bank (South Africa) Limited ("Access Bank SA", formerly known as Grobank Limited ("Grobank")).

On May 3, 2021, Access Bank Plc (“Access Bank”), a publicly listed Nigerian commercial bank, acquired a 90.4% equity interest in Grobank for 400.0 million South African rand ($27,787 at transaction date exchange rates). Upon closing of the transaction, GroCapital Holdings had a 9.6% equity interest in Grobank which was renamed Access Bank (South Africa) Limited.

On March 1, 2022, Access Bank SA announced a pro-rata non-renounceable rights offering to shareholders to raise 375.0 million South African rand through the offer of 961,538,462 ordinary shares at 0.39 South African rand per share. GroCapital holdings did not participate in the rights offering resulting in a dilution of its ownership interest in Access Bank SA from 9.6% to 4.8%.

At March 31, 2022 and December 31, 2021, the company had invested an aggregate of $19,403 (285.7 million South African rand) for a 48.1% equity interest in GroCapital Holdings (December 31, 2021 - 48.1%). Through its investment in GroCapital Holdings, the company has a 2.3% indirect equity interest in Access Bank SA (December 31, 2021 - 4.6%).

At March 31, 2022, the company estimated the fair value of its 2.3% indirect equity interest in Access Bank SA to be $1,174 (December 31, 2021 - 4.6% and $1,288).

***Loans***

*AFGRI International Facility*

On August 20, 2021, the company entered into a secured lending arrangement with AFGRI International Proprietary Limited ("AFGRI International"), a wholly-owned South African subsidiary of AGH, pursuant to which the company agreed to provide up to $10,000 of financing (the "AFGRI International Facility"). The AFGRI International Facility is primarily secured by AFGRI International's pledge of its equity interests in its wholly-owned Australian equipment business, AFGRI Australia Proprietary Limited. The AFGRI International Facility bears interest at a rate of 12.75% per annum, accrued and capitalized quarterly. On August 26, 2021 the company advanced $9,600, net of $400 in raising fees, under the AFGRI International Facility. The AFGRI International Facility matures on August 26, 2022, one year from initial funding date.

At March 31, 2022, the company determined that amortized cost approximated the fair value of the AFGRI International Facility, which was estimated to be $10,143 (December 31, 2021 – $9,726), including capitalized interest of $421 (December 31, 2021 - $nil).

In the first quarter of 2022, the company recorded interest income of $421 (2021 – $nil) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the AFGRI International Facility.

*Philafrica Facility*

At March 31, 2022 and December 31, 2021, the company had advanced $5,622 (98.0 million South African rand), net of a 2.0% raising fee, to Philafrica under a secured lending arrangement (the "Philafrica Facility"). The Philafrica Facility bears interest at a rate of South African prime plus 2.0% per annum, which is accrued and capitalized monthly. The repayment of the Philafrica Facility is subordinated against other third-party debt and is currently not repayable under its existing terms. The company continues to engage Philafrica and its lenders on the repayment of the Philafrica Facility. The Philafrica Facility is secured by a general guarantee from AGH and AGH's pledge of equity interests in Philafrica.

At March 31, 2022, the company estimated the fair value of the Philafrica Facility to be $8,069 (December 31, 2021 - $7,219).

In the first quarter of 2022, the company recorded interest income of $160 (2021 - $180) within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the Philafrica Facility.

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2022), Fairfax guaranteed a floor valuation of the company's investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers "Indirect equity interest in AGH", "Philafrica Foods Proprietary Ltd." and "Philafrica Facility"), and the PGR2 Loan (collectively, the "Reference Investments"), giving rise to the HFP Redemption Derivative described later in this note.

*CIG Loan*

At March 31, 2022 and December 31, 2021, the company had advanced $23,270 (292.5 million South African rand), net of a 2.5% raising fee to CIG (the "CIG Loan"). The CIG Loan bears interest at South African prime plus 2.0% per annum and has a maturity date of June 4, 2023. The CIG Loan is secured by CIG's pledge of its equity interests in Conlog Proprietary Limited ("Conlog"), a wholly-owned subsidiary of CIG that provides metering solutions to utilities, municipalities and property management companies in South Africa, the Middle East and across Africa.

On November 9, 2020, CIG commenced voluntary business rescue proceedings and as a result, suspended trading of its common shares on the Johannesburg Stock Exchange. The company does not expect to recover any of its interest receivable on the CIG Loan and in 2021, the company recorded a write-down of interest receivable of $1,206 within the consolidated statements of earnings (loss) and comprehensive income (loss). In January 2022, the anticipated sale of assets that was expected to provide recovery on the CIG Loan was terminated. The company continues to be engaged with CIG's business rescue practitioner in recovering proceeds. At March 31, 2022, the interest receivable related to the CIG Loan was $nil.

At March 31, 2022, the company estimated the fair value of the CIG Loan to be $20,530 (December 31, 2021 - $18,797).

*Atlas Mara Facility*

At March 31, 2022 and December 31, 2021, the company had advanced $39,507, net of $493 in raising fees, under the terms of a secured lending arrangement with Atlas Mara (the "Atlas Mara Facility"). The Atlas Mara Facility has a stated coupon of 10.0% per annum plus default interest of 7.5%, accrued quarterly and payable in kind. The Atlas Mara Facility was secured by Atlas Mara's shares in African Banking Corporation Botswana Limited ("Atlas Mara Botswana").

On July 14, 2021, Atlas Mara and certain of its affiliates entered into a support and override agreement (the "Atlas Mara SOA") with its lenders which formalized plans to repay its outstanding debt obligations through orderly dispositions of certain of its underlying businesses. The key features of the Atlas Mara SOA were as follows:

(i) The Atlas Mara SOA formalizes the waterfall allocation to the lenders of proceeds from the orderly dispositions of certain of Atlas Mara's underlying businesses;
(ii) Certain of Atlas Mara's lenders, including HFP, agreed to grant a forbearance with respect to the maturities of their outstanding debts; and
(iii) For those lenders whose financing documents provide for an increase in the underlying interest rate as a result of default, event of default or other similar event, these lenders are entitled to additional default interest in accordance with those provisions effective December 28, 2020.

The company continues to be engaged with Atlas Mara and its lenders in formalizing the terms and extension of the Atlas Mara SOA including forbearance with respect to the maturities of Atlas Mara's outstanding debts beyond December 31, 2021. On December 28, 2020, the company stopped accruing interest on the Atlas Mara Facility and has capitalized all interest up to that date. The expected recovery rate used in the company's valuation of the Atlas Mara Facility reflects expected recovery from the sale of Atlas Mara Botswana and UBN.

In October 2021, Atlas Mara completed the sale of its equity interest in Atlas Mara Botswana to Access Bank. A portion of the Atlas Mara Botswana shares were pledged as security for the Atlas Mara Facility and were subsequently released by the company in connection with the aforementioned sale. On October 14, 2021, upon Atlas Mara receiving the upfront portion of proceeds from the sale, the company received partial repayment on the Atlas Mara Facility of $11,325. Pursuant to the Atlas Mara SOA, the company expects further repayments on the Atlas Mara Facility as Atlas Mara receives the remaining two tranches of proceeds from the sale.

In December 2021, Atlas Mara and certain other shareholders in Union Bank of Nigeria ("UBN") entered into an agreement, subject to regulatory approval, to sell their interest in UBN to a Nigerian bank holding company ("UBN Sale"). The proceeds from the sale are to be paid to the shareholders of UBN on closing. Pursuant to the Atlas Mara SOA, the company expects repayments on the Atlas Mara Facility as Atlas Mara receives the proceeds from the UBN Sale.

At March 31, 2022, the company estimated the fair value of the Atlas Mara Facility to be $6,712 (December 31, 2021 - $6,822).

In the first quarter of 2022, the company recorded interest income of $nil (2021 - $nil) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Facility.

Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee described later in this note.

***Bonds***

*Atlas Mara Bonds*

At March 31, 2022 and December 31, 2021, the company had invested $16,000 in Atlas Mara convertible bonds with a stated coupon of 11.0% per annum, accrued quarterly and payable in kind ("Atlas Mara 11.0% Convertible Bonds"). In addition, at March 31, 2022 and December 31, 2021, the company had invested $20,000 in Atlas Mara bonds with a stated coupon of 7.5% per annum, payable semi-annually ("Atlas Mara 7.5% Bonds") (collectively, the Atlas Mara 11.0% Convertible Bonds and the Atlas Mara 7.5% Bonds are referred to as the "Atlas Mara Bonds"). The Atlas Mara 7.5% Bonds are secured by Atlas Mara's shares in UBN and the Atlas Mara 11.0% Convertible Bonds are not secured.

Pursuant to the Atlas Mara SOA, the company expects repayments on the Atlas Mara 7.5% Bonds as Atlas Mara receives the proceeds from the UBN Sale (see discussion under the header "Atlas Mara Facility" earlier in this note).

At March 31, 2022, interest receivable of $2,832 (December 31, 2021 - $2,832) related to the Atlas Mara 7.5% Bonds and reflected the same expected recovery as the principal. Interest receivable relating to the Atlas Mara 11.0% Convertible Bond has been accrued and capitalized up to December 28, 2020. The company no longer accrues interest on the Atlas Mara Bonds effective December 28, 2020.

At March 31, 2022, the company estimated the fair value of the Atlas Mara 11.0% Convertible Bonds and the Atlas Mara 7.5% Bonds to be $nil and $20,000 (December 31, 2021 - $28 and $20,000).

In the first quarters of 2022 and 2021, the company recorded interest income of $nil within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Bonds.

***Related Party Derivatives and Guarantees***

*Atlas Mara Facility Guarantee*

On July 10, 2020, the company entered into an agreement with Fairfax whereby Fairfax guaranteed all principal and interest obligations of Atlas Mara under the Atlas Mara Facility, giving rise to a guarantee (the "Atlas Mara Facility Guarantee"), which was recorded in Related party derivatives and guarantees within the consolidated balance sheet.

At March 31, 2022, the fair value of the Atlas Mara Facility Guarantee reflected the expected continued forbearance with respect to the maturity of the Atlas Mara Facility, the inclusion of 7.5% default interest effective December 28, 2020 and the partial repayment of $11,325 on the Atlas Mara Facility received October 14, 2021.

At March 31, 2022, the company estimated the fair value of its investment in the Atlas Mara Facility Guarantee to be $33,839 (December 31, 2021 - $32,046).

*HFP Redemption Derivative*

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2022), the company entered into the HFP Redemption Derivative. At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company’s investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers “Indirect equity interest in AGH”, "Philafrica Foods Proprietary Ltd." and "Philafrica Facility" earlier in this note), and the PGR2 Loan (collectively, the "Reference Investments") is lower than $102,600.

At March 31, 2022, the fair value of the company’s HFP Redemption Derivative was $13,824 (December 31, 2021 - $15,906).

### Results of Operations

HFP's consolidated statements of earnings (loss) and comprehensive income (loss) for the three months ended March 31 are shown in the following table:

| | First quarter | |
|---|---|---|
| **Income** | **2022** | 2021 |
| Interest | **772** | 473 |
| Dividends | **489** | 148 |
| Net change in unrealized gains (losses) on investments | **(12,526)** | 1,152 |
| Net foreign exchange gains (losses) | **12,730** | (972) |
| | **1,465** | 801 |
| **Expenses** | | |
| Investment and advisory fees | **1,055** | 741 |
| Performance fee (recovery) | **(938)** | 1,855 |
| General and administration expenses | **3,285** | 2,239 |
| Loss on uncollectible accounts receivable | **—** | 5,703 |
| Interest expense | **886** | — |
| | **4,288** | 10,538 |
| **Loss before income taxes** | **(2,823)** | (9,737) |
| Provision for income taxes | **112** | 1,412 |
| **Net loss and comprehensive loss** | **(2,935)** | (11,149) |
| **Net loss per share** | **$ (0.03)** | $ (0.10) |

Total income of $1,465 in the first quarter of 2022 increased compared to total income of $801 in the first quarter of 2021, primarily reflecting net change in unrealized foreign exchange gains and increased interest and dividend income, partially offset by net change in unrealized losses on investments, compared to net change in unrealized gains on investments in the prior period.

Net gains (losses) on investments for the first quarters of 2022 and 2021 were comprised as follows:

| | First quarter | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | | | 2021 | | |
| | **Net realized gains** | **Net change in unrealized gains (losses)** | **Net gains (losses)** | Net realized gains | Net change in unrealized gains (losses) | Net gains (losses) |
| **Net gains (losses) on investments:** | | | | | | |
| Limited partnership investments | **—** | **(5,823)** | **(5,823)** | — | — | — |
| Common shares | **—** | **(6,326)** | **(6,326)** | — | (467) | (467) |
| Loans | **—** | **(60)** | **(60)** | — | (401) | (401) |
| Bonds | **—** | **(28)** | **(28)** | — | 54 | 54 |
| Related party derivatives and guarantees | **—** | **(289)** | **(289)** | — | 1,966 | 1,966 |
| | **—** | **(12,526)** | **(12,526)** | — | 1,152 | 1,152 |

Net change in unrealized losses on investments of $12,526 in the first quarter of 2022 was principally comprised of unrealized losses on Indirect equity interest in AFGRI ($4,198), TopCo Class B Limited Partnership Interest ($3,762), Philafrica Common Shares ($3,598), TopCo LP Class A Limited Partnership Interest ($2,649), and GroCapital Holdings ($1,764), partially offset by unrealized gains on Other Common Shares ($3,234). Net change in unrealized gains on investments of $1,152 in the first quarter of 2021 was principally comprised of unrealized gains on the company's investments in Other Common Shares ($4,767), the Atlas Mara Facility Guarantee ($1,966), and the CIG Loan ($1,169), partially offset by unrealized losses on the company's indirect equity interest in AGH ($4,709) and the Atlas Mara Facility ($1,547).

Net foreign exchange gains (losses) for the first quarters of 2022 and 2021 were comprised as follows:

| | **First quarter** | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | | | 2021 | | |
| | **Net realized gains** | **Net change in unrealized gains (losses)** | **Net gains (losses)** | Net realized gains | Net change in unrealized gains (losses) | Net gains (losses) |
| **Net foreign exchange gains (losses) on:** | | | | | | |
| Cash and cash equivalents | **—** | **1,055** | **1,055** | (79) | — | (79) |
| Common shares | **—** | **9,296** | **9,296** | — | (597) | (597) |
| Loans | **—** | **2,376** | **2,376** | — | (136) | (136) |
| Other | **—** | **3** | **3** | — | (160) | (160) |
| | **—** | **12,730** | **12,730** | (79) | (893) | (972) |

Net foreign exchange gains of $12,730 in the first quarter of 2022 were principally a result of the strengthening of the South African rand relative to the U.S. dollar during the period. Net foreign exchange losses of $972 in the first quarter of 2021 were principally a result of the weakening of the South African rand relative to the U.S. dollar during the period.

Total expenses of $4,288 in the first quarter of 2022 decreased compared to total expenses of $10,538 in the first quarter of 2021, primarily as a result of no non-recurring loss on uncollectible accounts receivable as was recorded in the first quarter of 2021 and the performance fee recovery of $(938), partially offset by increased investment and advisory fees, increased general and administration expenses and interest expense related to the HFP 3.0% Debenture.

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 and the fair value of TopCo LP. In the first quarter of 2022, investment and advisory fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) were $1,055 (2021 - $741).

At March 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 - $938) as the Adjusted Book Value per Share of $3.14 (before factoring in the impact of the performance fee) at March 31, 2022 was less than the hurdle per share at that date of $3.16. In the first quarter of 2022, a performance fee recovery of $938 (2021 - performance fee of $1,855) was recorded within the consolidated statements of earnings (loss) and comprehensive income (loss).

Loss on uncollectible accounts receivable of $5,703 in the first quarter of 2021 occurred as a result of losses on the TLG Facility Guarantee and uncollectible sales tax refundable. There was no loss on uncollectible accounts receivable in the first quarter of 2022.

Interest expense of $886 in the first quarter of 2022 related to the HFP 3.0% Debentures. No interest expense was incurred in the first quarter of 2021 as the HFP 3.0% Debentures were issued on March 31, 2021.

The provision for income taxes of $112 in the first quarter of 2022 differed from the recovery of income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily as a result of changes in unrecorded tax benefit of losses and temporary differences, and non-taxable portion of unrealized gains and losses on investments, partially offset by the tax rate differential on losses incurred outside of Canada and foreign exchange effects. The provision of income taxes of $1,412 in the first quarter of 2021 differed from the recovery of income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily as a result of change in unrecorded benefit of losses and temporary differences, unrealized gains and losses on investments, and other permanent differences, partially offset by foreign exchange effect and tax rate differential on income and losses incurred outside of Canada.

The company reported a net loss of $2,935 (a net loss of $0.03 per basic and diluted share) in the first quarter of 2022 compared to a net loss of $11,149 (a net loss of $0.10 per basic and diluted share) in the first quarter of 2021. The decrease in net loss primarily reflected net change in unrealized foreign exchange gains, no non-recurring loss on uncollectible accounts receivable as was recorded in the first quarter of 2021, the performance fee recovery, and increased interest and dividend income, partially offset by net change in unrealized losses on investments, increased general and administration expenses, interest expense on the HFP 3.0% Debenture, and increased investment and advisory fees.

## Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at March 31, 2022 were primarily impacted by changes to the Portfolio Investments, including the Helios Fund IV equalization capital adjustment, and settlement of related party receivables and payables.

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **82,398** | 76,284 |
| Related party loan | **19,657** | 19,608 |
| Related party derivatives and guarantees | **47,663** | 47,952 |
| Portfolio Investments | **534,941** | 539,546 |
| Total cash and investments | **684,659** | 683,390 |
| | | |
| Interest receivable | **3,237** | 2,978 |
| Income tax refundable | **6,266** | 5,632 |
| Receivable from related parties | **969** | 11,002 |
| Other assets | **1,353** | 1,390 |
| Total assets | **696,484** | 704,392 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **845** | 136 |
| Automatic share purchase plan liability | **500** | 500 |
| Payable to related parties | **2,430** | 8,803 |
| Deferred income taxes | **5,187** | 4,419 |
| Borrowings | **98,778** | 98,632 |
| Total liabilities | **107,740** | 112,490 |
| **Equity** | | |
| Common shareholders' equity | **588,744** | 591,902 |
| | **696,484** | 704,392 |

### *Total Assets*

Total assets at March 31, 2022 of $696,484 decreased compared to total assets of $704,392 at December 31, 2021. The decrease was principally comprised of the following:

*Total cash and investments* increased to $684,659 at March 31, 2022 from $683,390 at December 31, 2021.

*Cash and cash equivalents* increased to $82,398 at March 31, 2022 from $76,284 at December 31, 2021, primarily as a result of the receipt of an equalization capital adjustment from Helios Fund IV and settlement of related party receivables. This was partially offset by payment of related party payables.

*Portfolio Investments* – The company is actively seeking investment opportunities in Africa and will continue to redirect capital from its cash and cash equivalents into Portfolio Investments as and when those opportunities are identified. For more information about recent Portfolio Investments, see the Portfolio Investments section of this MD&A.

*Receivable from related parties* decreased to $969 at March 31, 2022 from $11,002 at December 31, 2021, primarily reflecting the settlement of a $7,733 distribution receivable from TopCo LP Class A Limited Partnership Interest and the settlement of a $1,440 distribution receivable from TopCo LP Class B Limited Partnership Interest. Refer to the Related Party Transactions section later in this MD&A for details.

***Total Liabilities***

Total liabilities at March 31, 2022 of $107,740 decreased compared to $112,490 at December 31, 2021. The decrease was principally comprised of the following:

*Payable to related parties* decreased to $2,430 at March 31, 2022 from $8,803 at December 31, 2021, primarily as a result of the settlement of the $4,718 TopCo LP Class A Limited Partnership Interest capital call related to the Management Team Commitment for Helios Fund IV, reversal of the performance fee charged at December 31, 2021, and settlement of other payables due to expenses incurred by Fairfax and its affiliates on behalf of the company. Refer to the Related Party Transactions section later in this MD&A for details.

**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 March 31, 2022 compared to those identified at December 31, 2021 and disclosed in the company's 2021 Annual Report, other than as outlined in note 12 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2022.

**Capital Resources and Management**

For a detailed analysis, refer to note 12 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2022.

**Book Value per Share**

Common shareholders' equity at March 31, 2022 was $588,744 (December 31, 2021 - $591,902). The company's book value per share at March 31, 2022 was $5.44 compared to $5.47 at December 31, 2021, representing a decrease in 2022 of 0.5%, primarily due to a net loss of $2,935 at March 31, 2022.

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Common shareholders' equity | **588,744** | 591,902 |
| Number of common shares outstanding | **108,193,763** | 108,259,645 |
| Book value per share | **$5.44** | $ 5.47 |

The company will be entitled, subject to compliance with applicable corporate and securities laws, to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. 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 three months of 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 65,882 subordinate voting shares (2021 - nil) for a net cost of $223 (2021 - $nil) and $313 (2021 - $nil) was recorded as a benefit in retained earnings.

**Liquidity**

Cash and cash equivalents, receivable from related parties, the RMB facility (refer to note 7) and publicly traded investments at March 31, 2022 provide adequate liquidity to meet the company's remaining known significant commitments over the next twelve months, which are principally comprised of undrawn capital commitments to Helios Fund IV and TopCo LP, interest expense on the HFP 3.0% Debentures, the investment and advisory fees, general and administration expenses, corporate income taxes, and the potential settlement of the HFP 3.0% Debentures if Fairfax exercises its put option, net of the fair value of the HFP Redemption Derivative. The company has adequate liquid assets to support its operations.

At March 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 - $938). 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, 2023.

The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent HFP has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts required by each Helios Fund in accordance with their respective governing documents. At March 31, 2022 and December 31, 2021, the company was not subject to any clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest. The company may be subject to capital call obligations with respect to its TopCo LP Class A and Class B Limited Partnership Interests to cover its pro rata share of expenses incurred by TopCo LP and TopCo LP's share of commitments to the general partners of the Helios Funds, the risk of which is partially mitigated by the six-month holding period of Excess Management Fee Proceeds by TopCo LP.

Highlights in the first three months of 2022 (with comparisons to the first three months of 2021 except as otherwise noted) of major components of cash flow are presented in the following table:

| | **First three months** | |
|---|---|---|
| | **2022** | 2021 |
| **Operating activities** | | |
| Cash provided by (used in) operating activities, excluding net sales (purchases) of investments and receipt of equalization capital adjustment | **668** | (21,448) |
| Purchases of investments | **—** | (13,116) |
| Receipt of equalization capital adjustment | **4,614** | — |
| Increase in restricted cash deposits in support of investments | **—** | (34) |
| **Financing activities** | | |
| Proceeds from borrowings | **—** | 100,000 |
| Purchases of subordinate voting shares for cancellation | **(223)** | — |
| **Increase in cash and cash equivalents during the period** | **5,059** | 65,402 |

Cash provided by operating activities, excluding net sales (purchases) of investments and receipt of equalization capital adjustment of $668 in the first three months of 2022 increased from cash used in operating activities, excluding net sales (purchases of investments) of $21,448 in the first three months of 2021 primarily due to non-recurring cash payments in the first three months of 2021, including settlement of Helios Transaction expenses and settlement of a guarantee liability, as well as increased income taxes paid.

There were no purchases of investments in the first three months of 2022. Purchases of investments of $13,116 in the first three months of 2021 related to the company's investment in Helios Fund IV.

Receipt of equalization capital adjustment of $4,614 in first three months of 2022 related to the receipt of an equalization capital adjustment from Helios Fund IV. There were no equalization capital adjustments in the first three months of 2021.

Increase in restricted cash deposits of $34 in the first three months of 2021 reflected interest received on restricted cash on deposit at Access Bank SA. At March 31, 2022, there were no restricted cash deposits.

There were no proceeds from borrowings in the first three months of 2022. Proceeds from borrowings of $100,000 in the first three months of 2021 related to the HFP 3.0% Debentures.

Purchase of subordinate voting shares for cancellation of $223 in the first three months of 2022 related to the cash paid for the company's purchases for cancellation of 65,882 subordinate voting shares under the terms of the normal course issuer bid that were settled during the period. Refer to the Book Value per Share section of this MD&A for details.

### Contractual Obligations

The following table presents the company's contractual obligations by their contractual maturity date:

| | March 31, 2022 | |
|---|---|---|
| | Total | Less than 1 year |
| HFP 3.0% Debenture - Interest | 3,000 | 3,000 |
| HFP 3.0% Debenture - Principal repayment (1) | 100,000 | 100,000 |
| Helios Fund IV Commitment | 22,891 | 22,891 |
| TopCo LP Management Team Commitment | 3,434 | 3,434 |
| Due to related parties | 2,430 | 2,430 |
| Accounts payable and accrued liabilities | 845 | 845 |
| Automatic share purchase plan | 500 | 500 |
| | 133,100 | 133,100 |

*(1) At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in the Reference Investments is lower than $102,600. At March 31, 2022, Fairfax did not exercise its option to redeem the HFP 3.0% Debenture on the first anniversary. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2022.*

Under the terms of the Investment Advisory Agreement (defined in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2022), the company is contractually obligated to pay TopCo LP 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. In the first quarter of 2022, investment and advisory fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) were $1,055 (2021 - $741).

Under the Investment Advisory Agreement, the period from January 1, 2021 to December 31, 2023 (the "first calculation period") is the first consecutive three-year period for which a performance fee, if applicable, will be payable to TopCo LP. At March 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 - $938) as the Adjusted Book Value per Share of $3.14 (before factoring in the impact of the performance fee) at March 31, 2022 was less than the hurdle per share at that date of $3.16. Refer to the note 13 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2022 for discussion on the performance fee.

### Concentration Risk

The company's 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 the 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 composition of the company's Portfolio Investments by industry sector is presented in the following table:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Asset management | **243,771** | 250,182 |
| Food and agriculture | **87,047** | 86,516 |
| Financial services [(1)] | **38,725** | 40,230 |
| Education | **38,811** | 38,811 |
| Entertainment | **33,416** | 33,416 |
| Infrastructure | **20,530** | 18,797 |
| Retail and distribution [(1)] | **32,213** | 34,140 |
| Insurance [(1)] | **7,316** | 8,162 |
| Other | **33,112** | 29,292 |
| | **534,941** | 539,546 |

*(1) Helios Fund IV has been allocated to industry sectors based on underlying investment holdings.*

During the first three months of 2022, the company's exposure to concentration risk by sector through its Portfolio Investments changed as follows:

- Asset management sector decreased primarily due to unrealized losses on TopCo LP Class A and Class B Limited Partnership Interests.
- Food and agriculture sector increased primarily due to foreign exchange gains and capitalized interest on the AFGRI International Facility and the Philafrica Facility, partially offset by unrealized losses on the company's indirect equity interest in AGH and Philafrica common shares.
- Financial services sector decreased primarily due to net unrealized losses on the Atlas Mara Facility and GroCapital, as well as the receipt of an equalization capital adjustment from Helios Fund IV.
- Infrastructure sector increased primarily due to foreign exchange gains on the CIG Loan.
- Retail and distribution and insurance sectors decreased due to the receipt of an equalization capital adjustment from Helios Fund IV.
- Other sector increased primarily due to unrealized gains on investments in Other Common Shares.

## Related Party Transactions

The company's related party transactions are disclosed in note 13 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2022.

## Accounting and Disclosure Matters

### *Management's Report on Internal Control Over Financial Reporting*

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined under National Instrument 52-109). The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2021. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control - Integrated Framework (2013)*. Based on that assessment, the company's management concluded that our internal control over financial reporting was not effective as of December 31, 2021. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in the annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2021, the following material weakness has been identified and included in Management's assessment:

- The company did not maintain effective controls over the completeness and accuracy of inputs and the reasonableness of assumptions used in its level 3 valuation process. Specifically, the company did not maintain effective review and monitoring processes to (i) verify the accuracy of valuation model inputs; (ii) identify adjusting events; (iii) assess the reasonability of valuation model inputs and assumptions. The company changed its valuation processes in the fourth quarter of 2021 and did not adequately evaluate and change its existing controls to address the change and process and procedures. This control deficiency resulted in a material audit adjustment to reduce the estimated fair value of Portfolio Investments, which also impacted reported net change in unrealized gains (losses) on investments. The adjustment was made prior to issuing the annual audited consolidated financial statements and no restatement was required.

Upon identification of the material weakness and under review of the Audit Committee of the company's Board of Directors, the company developed a comprehensive plan to remediate the material weakness. The status of remediation was reviewed with the Audit Committee and the Audit Committee was advised that no issues were encountered relating to the remediation efforts. This material weakness could result in misstatements of the company's financial statement accounts and disclosures that could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

The company is committed to implementing remediation efforts designed to ensure the control deficiencies that contributed to the material weakness are remediated, such that these controls are designed, implemented and operating effectively. During the first quarter of 2022, the company has been actively engaged in the implementation of remediation efforts to address the material weakness identified in the fourth quarter of 2021. The company has made progress toward implementing the following measures: (i) hiring additional finance personnel with the requisite training, skills and experience appropriate to perform and review the company's valuations and (ii) enhancing the review process and communication between HFP and the Helios teams.

At March 31, 2022 the company believes that remediation of the material weakness has not yet been achieved. Due to the nature of the remediation process and the need to allow adequate time after implementation to evaluate the design and test the effectiveness of the controls, no assurance can be given as to the timing of remediation.

The material weakness will be fully remediated when, in the opinion of the company's management, the revised control procedures are appropriately designed, and processes have been operating for a sufficient period of time to provide reasonable assurance as to their effectiveness. The remediation and ultimate resolution of the company's material weakness will be reviewed by the Audit Committee of the company's Board of Directors. The company continues to assign the highest priority to remediation efforts and will disclose any further developments in future filings.

## Other

### **Quarterly Data** (unaudited)

| *US$ thousands, except per share amounts* | **March 31, 2022** | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 (1) | June 30, 2020 |
|---|---|---|---|---|---|---|---|---|
| Income (loss) | **1,465** | 2,208 | (8,788) | 2,502 | 801 | (14,341) | (43,512) | 503 |
| Expenses | **4,288** | 5,581 | 2,353 | 5,947 | 10,538 | 10,151 | 15,656 | 2,809 |
| Provision for (recovery of) income taxes | **112** | (2,127) | 2,441 | (3,500) | 1,412 | (2,209) | (795) | 1,880 |
| Net earnings (loss) | **(2,935)** | (1,246) | (13,582) | 55 | (11,149) | (22,283) | (58,373) | (4,186) |
| Net earnings (loss) per share (basic and diluted) | **$ (0.03)** | $ (0.01) | $ (0.12) | $ — | $ (0.10) | $ (0.31) | $ (0.99) | $ (0.07) |

*(1)* Loss and net loss for the third quarter of 2020 were revised for the impact of reclassifying $8,855 in unrealized gains to contributed surplus, reflecting the difference at inception on July 10, 2020 between fair value and the transaction price on the Atlas Mara Forward Derivative ($6,056) and the Atlas Mara Facility Guarantee ($2,799). Net loss per share (basic and diluted) were revised accordingly. The above revisions for the third quarter of 2020 did not impact book value per share. Refer to note 8 (Common Shareholders' Equity) to the interim consolidated financial statements for the three months ended March 31, 2022 for details.

Income (loss) is primarily comprised of net realized gains (losses) on investments, net change in unrealized gains (losses) on investments, net foreign exchange gains (losses), interest income, and dividend income. Net loss in the first quarter of 2022 was primarily due to the net change in unrealized losses on investments, the timing of which are not predictable, investment and advisory fees, general and administration expenses and interest expense, partially offset by net change in unrealized foreign exchange gains, the performance fee recovery and interest and dividend income. 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 Portfolio Investments which result in higher performance fees, if applicable, and investment and advisory fees.

**Glossary of Non-GAAP and Other Financial Measures**

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in the MD&A do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies.

***Supplementary Financial Measures***

**Book value per share** - The company considers book value per share a key performance measure in evaluating its objective of long-term capital appreciation, while preserving capital. Book value per share is a key performance measure of the company and is closely monitored. This measure is calculated by the company as common shareholders' equity divided by the number of common shares outstanding. Those amounts are presented in the consolidated balance sheets and note 8 (Common Shareholders' Equity under the heading Common Stock) respectively within the interim consolidated financial statements for the three months ended March 31, 2022.

***Non-GAAP Financial Measures***

**Adjusted book value per share** - This measure adjusts common shareholders’ equity in the book value per share calculation to remove the fair value of TopCo LP Class A and B Limited Partnership Interests and any undeployed cash received in respect of TopCo LP distributions at the end of the current reporting period as presented in note 5 (Portfolio Investments and Related Party Derivatives and Guarantees) within the interim consolidated financial statements for the three months ended March 31, 2022. This measure is also closely monitored as it is used to calculate the performance fee, if any, to TopCo LP for the benefit of the Manager.

**Cash provided by (used in) operating activities, excluding net sales (purchases) of investments and receipt of equalization capital adjustment** - This measure provides the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes, and general and administration expenses, and excludes the impact of purchases and sales of investments and receipt of equalization capital adjustments.

**Compound annual growth (decline) rate** - The company uses the compound annual growth (decline) rate to measure performance of certain of the above-noted metrics over a specified period of time. Compound annual growth (decline) rate is calculated using the formula: (ending value / beginning value) ^ (1 / number of years) – 1.

**Consolidated Balance Sheets**
*as at March 31, 2022 and December 31, 2021*
*(unaudited - US$ thousands)*

| | Notes | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 6, 16 | **82,398** | 76,284 |
| Related party loan | 6, 13 | **19,657** | 19,608 |
| Related party derivatives and guarantees | 5, 6, 13 | **47,663** | 47,952 |
| Portfolio Investments | 5, 6, 13 | **534,941** | 539,546 |
| Total cash and investments | | **684,659** | **683,390** |
| Interest receivable | | **3,237** | 2,978 |
| Income taxes refundable | 11 | **6,266** | 5,632 |
| Receivable from related parties | 13 | **969** | 11,002 |
| Other assets | 13, 14 | **1,353** | 1,390 |
| Total assets | | **696,484** | 704,392 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | | **845** | 136 |
| Automatic share purchase plan liability | 8 | **500** | 500 |
| Payable to related parties | 13 | **2,430** | 8,803 |
| Deferred income taxes | 11 | **5,187** | 4,419 |
| Borrowings | 7 | **98,778** | 98,632 |
| Total liabilities | | **107,740** | 112,490 |
| **Equity** | | | |
| Common shareholders' equity | 8 | **588,744** | 591,902 |
| | | **696,484** | 704,392 |

*See accompanying notes.*

**Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)**
*for the three months ended March 31, 2022 and 2021*
*(unaudited - US$ thousands except per share amounts)*

| | | First quarter | |
|---|---|---|---|
| | **Notes** | **2022** | 2021 |
| **Income** | | | |
| Interest | 6 | **772** | 473 |
| Dividends | 6 | **489** | 148 |
| Net change in unrealized gains (losses) on investments | 6 | **(12,526)** | 1,152 |
| Net foreign exchange gains (losses) | 6 | **12,730** | (972) |
| | | **1,465** | 801 |
| **Expenses** | | | |
| Investment and advisory fees | 13 | **1,055** | 741 |
| Performance fee (recovery) | 13 | **(938)** | 1,855 |
| General and administration expenses | 13, 15 | **3,285** | 2,239 |
| Loss on uncollectible accounts receivable | 14 | **—** | 5,703 |
| Interest expense | 7 | **886** | — |
| | | **4,288** | 10,538 |
| **Loss before income taxes** | | **(2,823)** | (9,737) |
| Provision for income taxes | 11 | **112** | 1,412 |
| **Net loss and comprehensive loss** | | **(2,935)** | (11,149) |
| **Net loss per share** | 10 | **$ (0.03)** | $ (0.10) |
| **Net loss per diluted share** | 8 | **$ (0.03)** | $ (0.10) |
| **Shares outstanding** (weighted average) | 10 | **108,221,842** | 109,118,253 |

*See accompanying notes.*

## Consolidated Statements of Changes in Equity

*for the three months ended March 31, 2022 and 2021*
*(unaudited - US$ thousands)*

| | Subordinate voting shares | Multiple voting shares | Share-based payments, net | Warrants | Contributed surplus | Retained earnings (deficit) | Common share-holders' equity |
|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2022** | **432,370** | **439,904** | **5,562** | **5,557** | **24,337** | **(315,828)** | **591,902** |
| Net earnings (loss) for the period | **—** | **—** | **—** | **—** | **—** | **(2,935)** | **(2,935)** |
| Purchases for cancellation (note 8) | **(536)** | **—** | **—** | **—** | **—** | **313** | **(223)** |
| Amortization | **—** | **—** | **31** | **—** | **—** | **—** | **31** |
| Automatic share purchase plan commitment (note 8) | **(127)** | **—** | **—** | **—** | **—** | **127** | **—** |
| Tax expense on equity transactions (note 11) | **—** | **—** | **—** | **—** | **(31)** | **—** | **(31)** |
| **Balance as of March 31, 2022** | **431,707** | **439,904** | **5,593** | **5,557** | **24,306** | **(318,323)** | **588,744** |
| | | | | | | | |
| **Balance as of January 1, 2021** | 440,663 | 439,904 | 5,438 | — | 8,855 | (295,125) | 599,735 |
| Net loss for the period | — | — | — | — | — | (11,149) | (11,149) |
| Issuances (note 8) | — | — | — | 5,557 | — | — | 5,557 |
| Purchases and amortization | — | — | 30 | — | — | — | 30 |
| Capital contributions (note 8) | — | — | — | — | 18,107 | — | 18,107 |
| Tax benefit on equity transactions (note 11) | | — | — | — | (474) | — | (474) |
| **Balance as of March 31, 2021** | 440,663 | 439,904 | 5,468 | 5,557 | 26,488 | (306,274) | 611,806 |

*See accompanying notes.*

**Consolidated Statements of Cash Flows**
*for the three months ended March 31, 2022 and 2021*
*(unaudited - US$ thousands)*

| | Notes | First quarter 2022 | First quarter 2021 |
|---|---|---|---|
| **Operating activities** | | | |
| Net earnings (loss) | | **(2,935)** | (11,149) |
| Items not affecting cash and cash equivalents: | | | |
| Net bond discount accretion | | **(125)** | (72) |
| Capitalized interest on loans and bonds | 5 | **(498)** | (156) |
| Performance fee (recovery) | 13 | **(938)** | 1,855 |
| Loss (recovery) on uncollectible accounts receivable | 14 | **—** | 5,703 |
| Deferred income taxes | 11 | **737** | 2,737 |
| Amortization of share-based payment awards | | **31** | 30 |
| Net change in unrealized (gains) losses on investments | 6 | **12,526** | (1,152) |
| Net foreign exchange (gains) losses | 6 | **(12,730)** | 972 |
| Purchases of investments | 5, 16 | **—** | (13,116) |
| Receipt of equalization capital adjustment | 5, 16 | **4,614** | — |
| Settlement of guarantee liability | 14 | **—** | (8,474) |
| Decrease in restricted cash deposits | 13 | **—** | (34) |
| Changes in operating assets and liabilities: | | | |
| Interest receivable | | **(259)** | (138) |
| Accounts payable and accrued liabilities | | **709** | (5,946) |
| Income taxes refundable | | **(634)** | (3,176) |
| Receivable from related parties | | **10,033** | — |
| Payable to related parties | | **(5,435)** | (1,950) |
| Other | | **186** | (532) |
| Cash provided by (used in) operating activities | | **5,282** | (34,598) |
| **Financing activities** | | | |
| Proceeds from borrowings | 7 | **—** | 100,000 |
| Subordinate voting shares - purchases for cancellation | 8 | **(223)** | — |
| Cash provided by (used in) financing activities | | **(223)** | 100,000 |
| **Increase (decrease) in cash and cash equivalents** | | **5,059** | 65,402 |
| Cash and cash equivalents - beginning of period | | **76,284** | 66,052 |
| Foreign currency translation | | **1,055** | (79) |
| **Cash and cash equivalents - end of period** | | **82,398** | 131,375 |

*See accompanying notes.*

**Index to Notes to Interim Consolidated Financial Statements**

## 1. Business Operations

Helios Fairfax Partners Corporation ("the company" or "HFP") 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 ("Portfolio Investments"). Generally, subject to compliance with applicable law, the company will make Portfolio Investments with a view to acquiring control or significant influence positions.

HFA Topco, L.P. ("TopCo LP" or the "Portfolio Advisor") is the portfolio advisor of the company and, through its sub-advisor, Helios Investment Partners LLP ("Helios" or the "Manager"), provides investment management services, investment advisory services and investment administration services to the company. 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 HFP South Africa Investments Proprietary Limited ("SA Sub") and a Mauritius-based subsidiary HFP Investments Limited ("Mauritius Sub").

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

## 2. Basis of Presentation

The company's interim consolidated financial statements for the three months ended March 31, 2022 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, 2021, 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 May 13, 2022.

## 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, 2021, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented.

***New accounting pronouncements adopted in 2022***

On January 1, 2022 the company adopted the following amendment which did not have a significant impact on the company's consolidated financial statements: *Annual Improvements to IFRS Standards 2018–2020*.

***New accounting pronouncements issued but not yet effective***

The IASB issued the following amendments in 2020 and 2021 which the company does not expect to adopt in advance of their effective date of January 1, 2023: *Classification of Liabilities as Current or Non-current (Amendments to IAS 1), Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* and *Definition of Accounting Estimates (Amendments to IAS 8)*. The company is currently evaluating the expected impact of these amendments on its consolidated financial statements.

## 4. Critical Accounting Estimates and Judgments

The company made a number of critical accounting estimates and judgements in the preparation of the company's interim consolidated financial statements.

### *Determination of Investment Entity Status, Valuation of Private Portfolio Investments, and Income Taxes*

In the preparation of the company's interim consolidated financial statements, management has made a number of critical estimates and judgments in the determination of investment entity status, the valuation of Private Portfolio Investments, and the provision for income taxes in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2021. The broad effects of COVID-19 and the conflict in Ukraine on the company are discussed in note 12.

## 5. Portfolio Investments and Related Party Derivatives and Guarantees

### *Summary of Changes in Fair Value of the Company's Portfolio Investments*

A summary of changes in the fair value of the company's Public and Private Portfolio Investments for the first quarters of 2022 and 2021 were as follows:

| | First quarter | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2022 | | | | | | |
| | Balance as of January 1 | Purchases / Contributions[2] | Sales / Distributions / Redemptions/ Conversions | Accretion of discount[1] | Net change in unrealized gains (losses) on investments[3] | Net foreign exchange gains on investments | Balance as of March 31 |
| **Portfolio Investments**: | | | | | | | |
| ***Public Investments:*** | | | | | | | |
| Common shares | 29,292 | — | — | — | 3,234 | 586 | 33,112 |
| Total Public Investments | 29,292 | — | — | — | 3,234 | 586 | 33,112 |
| ***Private Investments:*** | | | | | | | |
| Limited partnership investments: | | | | | | | |
| TopCo LP limited partnership interests | 250,182 | — | — | — | (6,411) | — | 243,771 |
| Helios Fund IV limited partnership interest[4] | 38,866 | — | (4,614) | — | 588 | — | 34,840 |
| Common shares | 158,614 | — | — | — | (9,560) | 8,710 | 157,764 |
| Loans | 42,564 | 498 | — | 76 | (60) | 2,376 | 45,454 |
| Bonds | 20,028 | — | — | — | (28) | — | 20,000 |
| Total Private Investments | 510,254 | 498 | (4,614) | 76 | (15,471) | 11,086 | 501,829 |
| **Total Portfolio Investments** | 539,546 | 498 | (4,614) | 76 | (12,237) | 11,672 | 534,941 |

(1) *Recorded in interest within the consolidated statement of earnings (loss) and comprehensive income (loss).*
(2) *Inclusive of capitalized interest of $319 on AFGRI International Facility and $179 on Philafrica Facility.*
(3) *Net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period.*
(4) *On February 21, 2022, Helios Fund IV received additional limited partnership commitments thereby reducing the company's interest held and resulting in the receipt of an equalization capital adjustment of $4,614 to the company on March 9, 2022.*

| | First quarter 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance as of January 1 | Purchases / Contributions(2) | Sales / Distributions / Redemptions/ Conversions | Accretion of discount(1) | Net change in unrealized gains (losses) on investments(3) | Net foreign exchange losses on investments | Balance as of March 31 |
| **Portfolio Investments**: | | | | | | | |
| ***Public Investments:*** | | | | | | | |
| Common shares | 14,836 | — | — | — | 4,767 | (66) | 19,537 |
| Total Public Investments | 14,836 | — | — | — | 4,767 | (66) | 19,537 |
| ***Private Investments:*** | | | | | | | |
| Limited partnership investments: | | | | | | | |
| TopCo LP limited partnership interests | 275,299 | — | — | — | — | — | 275,299 |
| Helios Fund IV limited partnership interest | — | 13,116 | — | — | — | — | 13,116 |
| Common shares | 74,674 | — | — | — | (5,234) | (531) | 68,909 |
| Loans | 56,764 | 156 | — | 24 | (401) | (136) | 56,407 |
| Bonds | 58,829 | — | — | — | 54 | — | 58,883 |
| Total Private Investments | 465,566 | 13,272 | — | 24 | (5,581) | (667) | 472,614 |
| **Total Portfolio Investments** | 480,402 | 13,272 | — | 24 | (814) | (733) | 492,151 |

*(1) Recorded in interest within the consolidated statement of earnings (loss) and comprehensive income (loss).*
*(2) Inclusive of capitalized interest of $156 on Philafrica Facility.*
*(3) Net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period.*

## Public Portfolio Investments

The company's Public Portfolio Investments are as follows:

### *Common Shares*

At March 31, 2022 and December 31, 2021, the company held less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange and the London Stock Exchange.

At March 31, 2022, the fair value of the company's investment in the Common Shares was $33,112 (December 31, 2021 - $29,292), determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

## Private Portfolio Investments

The company’s Private Portfolio Investments are as follows:

### *Limited Partnership Investments*

*TopCo LP*

TopCo LP, an affiliate of Helios Holdings Limited ("HHL", together with one or more of its affiliates, as the context requires, the "Helios Holdings Group"), is a limited partnership established under the laws of Guernsey and controlled by its general partner, HFA GP (Guernsey) Limited, an affiliate of the Helios Holdings Group. TopCo LP was formed as the investment vehicle through which HFP will receive cash flows from its entitlement to certain Helios fee streams. TopCo LP is the portfolio advisor of the company and its consolidated subsidiaries and has entered into a sub-advisory agreement with the Manager to provide the investment and advisory services to HFP. TopCo LP receives investment advisory fees from HFP.

TopCo LP is a limited partner of Helios Investors Genpar, L.P., HIP Equity II, L.P., HIP Equity III, L.P. and HIP Equity IV, L.P. (collectively, the “Carried Interest Recipients”) and as such is entitled to receive Carried Interest Proceeds, which HFP is entitled to receive, through HFP’s ownership of TopCo LP Class A Limited Partnership Interests, when relevant amounts become available for distribution. The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent it has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts established by each Helios Fund in accordance with their respective governing documents. At March 31, 2022 and December 31, 2021, the company was not subject to any clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest.

TopCo LP also entered into contractual arrangements with certain Helios Holdings Group entities, pursuant to which the Helios Holdings Group entities entitled to receive management fees assigned their respective rights to receive all management fees to TopCo LP and TopCo LP agreed to pay all expenses incurred in order to receive the management fees ("Excess Management Fees"). HFP's ownership of TopCo LP Class B Limited Partnership Interests entitles HFP to receive Excess Management Fees after a six-month holding period by TopCo LP.

At March 31, 2022 and December 31, 2021, HFP held all of the issued and outstanding Class A and Class B Limited Partnership Interests of TopCo LP.

In December 2021, TopCo LP's limited partnership agreement was amended to commit HFP to contributing no more than 50.0% of either $15,000 or 2.0% of total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV and future Helios Funds ("Management Team Commitment") in exchange for pro rata limited partnership interest not subject to management fees and carried interest. Contributions in excess of this limit require consultation in good faith with the company and with Fairfax Financial Holdings Limited ("Fairfax"). This represents 50% of the Helios Holdings Group's management team commitment and is to be contributed to TopCo LP by HFP as the TopCo LP Class A Limited Partnership Interest holder. On December 14, 2021, TopCo LP issued a capital call for $4,718 to HFP as the TopCo LP Class A Limited Partnership Interest holder to fund 50.0% of the Management Team Commitment and HFP recognized a $4,718 increase in the investment in TopCo LP Class A Limited Partnership Interest and a corresponding increase in payable to related parties. On February 21, 2022, Helios Fund IV received additional limited partnership commitments, thereby reducing the company's commitment with respect to Management Team Commitments for Fund IV and resulting in an equalization capital adjustment of $652 to the company. At March 31, 2022, the company's remaining capital commitment to TopCo LP with respect to the Management Team Commitment was $3,434.

In 2021, TopCo LP declared a distribution of $7,733 and accordingly, the company recorded a receivable from related parties of $7,733.

On January 7, 2022, the payable to related parties of $4,718 related to the Management Team Commitment and the distribution receivable from TopCo of $7,733 were settled on a net basis and the company received cash of $3,015.

In 2021, the company recognized a distribution receivable from its TopCo LP Class B Limited Partnership Interest of $2,410, which reflected Excess Management Fees earned during 2021. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class B Limited Partnership Interest and a receivable from related parties of $2,410. On January 24, 2022, the company received a distribution of $1,440 of Excess Management Fees earned during the first six months of 2021.

At March 31, 2022, the fair value of the company's investment in TopCo LP Limited Partnership Interests was $243,771 (December 31, 2021 - $250,182).

*Subsequent to March 31, 2022*

On April 28, 2022, the company received a distribution from TopCo LP of $652 relating to the equalization capital adjustment.

*Helios Fund IV*

Helios Investors IV, L.P. ("Helios Fund IV") is a limited partnership based in the Cayman Islands, structured to receive and deploy capital from limited partners with the objective of earning returns from investments directly or indirectly in, or with a nexus to, Africa. Helios Fund IV is controlled by its general partner, Helios Investors Genpar IV, Ltd. ("Helios Fund IV GP").

On March 31, 2021, the company committed to invest $50,000 in Helios Fund IV. In 2021, the company funded aggregate capital calls of $31,451, plus equalization interest of $516 for total funding of $31,967, representing 16.9% of the limited partnership interest in Helios Fund IV based on committed capital. As agreed in a side letter with the Helios Fund IV GP, the company was admitted to Helios Fund IV as a "Listed Fund" under the terms of Helios Fund IV's limited partnership agreement, as amended and restated (the "Helios Fund IV LPA"), meaning that the company will not incur any management fees nor any carried interest payable to Helios Fund IV GP with respect to its investment in Helios Fund IV, which would otherwise be incurred in accordance with the Helios Fund IV LPA.

On February 21, 2022, Helios Fund IV received additional limited partnership commitments, resulting in an equalization capital adjustment of $4,614 paid to the company on March 9, 2022 and reducing the company's interest based on committed capital to 14.9%. At March 31, 2022, the company had funded aggregate capital calls of $27,109, plus equalization interest of $244, for total funding of $27,353, representing 14.9% (December 31, 2021 - $31,967 and 16.9%) of the limited partnership interest in Helios Fund IV based on committed capital.

At March 31, 2022, the company's remaining capital commitment to Helios Fund IV was $22,891 (December 31, 2021 - $18,549), which may be called at any time by Helios Fund IV GP in accordance with the Helios Fund IV LPA.

At March 31, 2022, the company estimated the fair value of its investment in Helios Fund IV Limited Partnership Interest to be $34,840 (December 31, 2021 - $38,866).

***Common Shares***

*NBA Africa*

HFP US Investments, Inc. ("U.S. Holdco") is a wholly-owned holding company, formed for the sole purpose of investing in NBA Africa, LLC ("NBA Africa"), an entity formed by the National Basketball Association ("NBA") to conduct the league's business in Africa including the Basketball Africa League, a partnership between the NBA and the International Basketball Federation.

At March 31, 2022 and December 31, 2021, the company, through its U.S. Holdco, had invested $30,000 in exchange for an equity interest in NBA Africa.

At March 31, 2022, the company estimated the fair value of its investment in NBA Africa to be $33,416 (December 31, 2021 - $33,416).

*Trone Holdings*

Trone Holdings is a holding company based in London, United Kingdom, created for the purpose of holding an equity interest in a Moroccan medical technology distribution group ("Trone"). Trone's business is centered around the distribution and maintenance of medical imaging and diagnostic equipment, and the production and distribution of contrast pharmaceuticals for imaging.

At March 31, 2022 and December 31, 2021, the company had invested $15,528 for a 22.0% equity interest in Trone Holdings. Helios Fund IV holds the remaining 78.0% equity interest in Trone Holdings. Trone Holdings, together with the founding partner and management of Trone, holds the entire equity interest in SPV Rayon Holdings ("SPV Rayon"), a Moroccan holding company which owns 100.0% of Trone's operating businesses.

At March 31, 2022, the company estimated the fair value of its 22.0% equity interest in Trone Holdings to be $15,528 (December 31, 2021 - $15,528).

*Indirect equity interest in AGH*

At March 31, 2022 and December 31, 2021, the company had invested $98,876 in Joseph Investment Holdings ("Joseph Holdings") (comprised of $88,744 for 74.6% in common shares and 73.7% in Class A shares of Joseph Holdings, providing a 74.6% voting interest and $10,132 as a shareholder loan). Through its investment in Joseph Holdings, HFP is the largest beneficial shareholder of AFGRI Holdings Proprietary Limited ("AFGRI Holdings"), 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. HFP has a 46.8% indirect equity interest (December 31, 2021 - 46.8%) in AGH.

On August 24, 2021, AGH entered into a debt restructuring agreement with its lenders which formalized a monthly repayment plan to fully repay certain lenders by December 31, 2021 through monetization or sale of certain non-core assets. In addition, AGH and certain other lenders agreed to a further debt standstill until May 31, 2022 and December 31, 2022.

At March 31, 2022, the company estimated the fair value of its 46.8% indirect equity interest in AGH to be $61,400 (December 31, 2021 - $60,416).

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7), Fairfax guaranteed a floor valuation of the company’s investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers “Indirect equity interest in AGH”, "Philafrica Foods Proprietary Ltd." and "Philafrica Facility"), and the PGR2 Loan (collectively, the "Reference Investments"), giving rise to the HFP Redemption Derivative described later in this note.

*Philafrica Foods Proprietary Ltd.*

At March 31, 2022 and December 31, 2021, the company had invested $23,254 (325.0 million South African rand) into 26,000 common shares or 26.0% equity interest in Philafrica Foods Proprietary Ltd. ("Philafrica"), a South African entity that owns and operates maize and wheat mills, animal feed factories, and snacking and bread production facilities. Philafrica is controlled by AGH through AGH's 60.0% equity interest.

At March 31, 2022, the company estimated the fair value of its investment in Philafrica common shares to be $7,435 (December 31, 2021 - $9,155).

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7), Fairfax guaranteed a floor valuation of the company’s investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers “Indirect equity interest in AGH”, "Philafrica Foods Proprietary Ltd." and "Philafrica Facility"), and the PGR2 Loan (collectively, the "Reference Investments"), giving rise to the HFP Redemption Derivative described later in this note.

*Indirect equity interest in Nova Pioneer*

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 operates fourteen schools with a combined enrollment of approximately 4,900 students. Nova Pioneer is wholly-owned by Ascendant Learning Limited ("Ascendant"), its Mauritius-based parent entity.

On July 1, 2021, Nova Pioneer redeemed the company's 20.0% Nova Pioneer debentures (the “Nova Pioneer Bonds”) with an aggregate fair value of $34,711 and settled interest accrued of $4,100 by issuing Ascendant common shares with a fair value of $38,811.

At March 31, 2022 and December 31, 2021, the company had invested an aggregate of $38,811 for a 56.3% equity interest in Ascendant (“Indirect equity interest in Nova Pioneer)”. The company determined that the transaction price for its indirect equity interest in Nova Pioneer approximated fair value at March 31, 2022 and December 31, 2021 as there have been no significant changes to Nova Pioneer's business, capital structure or operating environment.

*Indirect equity interest in Access Bank SA*

GroCapital Holdings Limited ("GroCapital Holdings") is a holding company that owns 4.8% of Access Bank (South Africa) Limited ("Access Bank SA", formerly known as Grobank Limited ("Grobank")).

On May 3, 2021, Access Bank Plc (“Access Bank”), a publicly listed Nigerian commercial bank, acquired a 90.4% equity interest in Grobank for 400.0 million South African rand ($27,787 at transaction date exchange rates). Upon closing of the transaction, GroCapital Holdings had a 9.6% equity interest in Grobank which was renamed Access Bank (South Africa) Limited.

On March 1, 2022, Access Bank SA announced a pro-rata non-renounceable rights offering to shareholders to raise 375.0 million South African rand through the offer of 961,538,462 ordinary shares at 0.39 South African rand per share. GroCapital holdings did not participate in the rights offering resulting in a dilution of its ownership interest in Access Bank SA from 9.6% to 4.8%.

At March 31, 2022 and December 31, 2021, the company had invested an aggregate of $19,403 (285.7 million South African rand) for a 48.1% equity interest in GroCapital Holdings (December 31, 2021 - 48.1%). Through its investment in GroCapital Holdings, the company has a 2.3% indirect equity interest in Access Bank SA (December 31, 2021 - 4.6%).

At March 31, 2022, the company estimated the fair value of its 2.3% indirect equity interest in Access Bank SA to be $1,174 (December 31, 2021 - $1,288).

***Loans***

*AFGRI International Facility*

On August 20, 2021, the company entered into a secured lending arrangement with AFGRI International Proprietary Limited ("AFGRI International"), a wholly-owned South African subsidiary of AGH, pursuant to which the company agreed to provide up to $10,000 of financing (the "AFGRI International Facility"). The AFGRI International Facility is primarily secured by AFGRI International's pledge of its equity interests in its wholly-owned Australian equipment business, AFGRI Australia Proprietary Limited. The AFGRI International Facility bears interest at a rate of 12.75% per annum, accrued and capitalized quarterly. On August 26, 2021 the company advanced $9,600, net of $400 in raising fees, under the AFGRI International Facility. The AFGRI International Facility matures on August 26, 2022, one year from initial funding date.

At March 31, 2022, the company determined that amortized cost approximated the fair value of the AFGRI International Facility, which was estimated to be $10,143 (December 31, 2021 – $9,726), including capitalized interest of $421 (December 31, 2021 - $nil).

In the first quarter of 2022, the company recorded interest income of $421 (2021 – $nil) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the AFGRI International Facility.

*Philafrica Facility*

At March 31, 2022 and December 31, 2021, the company had advanced $5,622 (98.0 million South African rand), net of a 2.0% raising fee, to Philafrica under a secured lending arrangement (the "Philafrica Facility"). The Philafrica Facility bears interest at a rate of South African prime plus 2.0% per annum, which is accrued and capitalized monthly. The repayment of the Philafrica Facility is subordinated against other third-party debt and is currently not repayable under its existing terms. The company continues to engage Philafrica and its lenders on the repayment of the Philafrica Facility. The Philafrica Facility is secured by a general guarantee from AGH and AGH's pledge of equity interests in Philafrica.

At March 31, 2022, the company estimated the fair value of the Philafrica Facility to be $8,069 (December 31, 2021 - $7,219).

In the first quarter of 2022, the company recorded interest income of $160 (2021 - $180) within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the Philafrica Facility.

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7), Fairfax guaranteed a floor valuation of the company's investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers "Indirect equity interest in AGH", "Philafrica Foods Proprietary Ltd." and "Philafrica Facility"), and the PGR2 Loan (collectively, the "Reference Investments"), giving rise to the HFP Redemption Derivative described later in this note.

*CIG Loan*

At March 31, 2022 and December 31, 2021, the company had advanced $23,270 (292.5 million South African rand), net of a 2.5% raising fee to CIG (the "CIG Loan"). The CIG Loan bears interest at South African prime plus 2.0% per annum and has a maturity date of June 4, 2023. The CIG Loan is secured by CIG's pledge of its equity interests in Conlog Proprietary Limited ("Conlog"), a wholly-owned subsidiary of CIG that provides metering solutions to utilities, municipalities and property management companies in South Africa, the Middle East and across Africa.

On November 9, 2020, CIG commenced voluntary business rescue proceedings and as a result, suspended trading of its common shares on the Johannesburg Stock Exchange. The company does not expect to recover any of its interest receivable on the CIG Loan and in 2021, the company recorded a write-down of interest receivable of $1,206 within the consolidated statements of earnings (loss) and comprehensive income (loss). In January 2022, the anticipated sale of assets that was expected to provide recovery on the CIG Loan was terminated. The company continues to be engaged with CIG's business rescue practitioner in recovering proceeds. At March 31, 2022 and December 31, 2021, the interest receivable related to the CIG Loan was $nil.

At March 31, 2022, the company estimated the fair value of the CIG Loan to be $20,530 (December 31, 2021 - $18,797).

*Atlas Mara Facility*

At March 31, 2022 and December 31, 2021, the company had advanced $39,507, net of $493 in raising fees, under the terms of a secured lending arrangement with Atlas Mara (the "Atlas Mara Facility"). The Atlas Mara Facility has a stated coupon of 10.0% per annum plus default interest of 7.5%, accrued quarterly and payable in kind. The Atlas Mara Facility was secured by Atlas Mara's shares in African Banking Corporation Botswana Limited ("Atlas Mara Botswana").

On July 14, 2021, Atlas Mara and certain of its affiliates entered into a support and override agreement (the "Atlas Mara SOA") with its lenders which formalized plans to repay its outstanding debt obligations through orderly dispositions of certain of its underlying businesses. The key features of the Atlas Mara SOA were as follows:

(i) The Atlas Mara SOA formalizes the waterfall allocation to the lenders of proceeds from the orderly dispositions of certain of Atlas Mara's underlying businesses;
(ii) Certain of Atlas Mara's lenders, including HFP, agreed to grant a forbearance with respect to the maturities of their outstanding debts; and
(iii) For those lenders whose financing documents provide for an increase in the underlying interest rate as a result of default, event of default or other similar event, these lenders are entitled to additional default interest in accordance with those provisions effective December 28, 2020.

The company continues to be engaged with Atlas Mara and its lenders in formalizing the terms and extension of the Atlas Mara SOA including forbearance with respect to the maturities of Atlas Mara's outstanding debts beyond December 31, 2021. On December 28, 2020, the company stopped accruing interest on the Atlas Mara Facility and has capitalized all interest up to that date. The expected recovery rate used in the company's valuation of the Atlas Mara Facility reflects expected recovery from the sale of Atlas Mara Botswana and UBN.

In October 2021, Atlas Mara completed the sale of its equity interest in Atlas Mara Botswana to Access Bank. A portion of the Atlas Mara Botswana shares were pledged as security for the Atlas Mara Facility and were subsequently released by the company in connection with the aforementioned sale. On October 14, 2021, upon Atlas Mara receiving the upfront portion of proceeds from the sale, the company received partial repayment on the Atlas Mara Facility of $11,325. Pursuant to the Atlas Mara SOA, the company expects further repayments on the Atlas Mara Facility as Atlas Mara receives the remaining two tranches of proceeds from the sale.

In December 2021, Atlas Mara and certain other shareholders in Union Bank of Nigeria ("UBN") entered into an agreement, subject to regulatory approval, to sell their interest in UBN to a Nigerian bank holding company ("UBN Sale"). The proceeds from the sale are to be paid to the shareholders of UBN on closing. Pursuant to the Atlas Mara SOA, the company expects repayments on the Atlas Mara Facility as Atlas Mara receives the proceeds from the UBN Sale.

At March 31, 2022, the company estimated the fair value of the Atlas Mara Facility to be $6,712 (December 31, 2021 - $6,822).

In the first quarters of 2022 and 2021, the company recorded interest income of $nil within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Facility.

Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee described later in this note.

***Bonds***

*Atlas Mara Bonds*

At March 31, 2022 and December 31, 2021, the company had invested $16,000 in Atlas Mara convertible bonds with a stated coupon of 11.0% per annum, accrued quarterly and payable in kind ("Atlas Mara 11.0% Convertible Bonds"). In addition, at March 31, 2022 and December 31, 2021, the company had invested $20,000 in Atlas Mara bonds with a stated coupon of 7.5% per annum, payable semi-annually ("Atlas Mara 7.5% Bonds") (collectively, the Atlas Mara 11.0% Convertible Bonds and the Atlas Mara 7.5% Bonds are referred to as the “Atlas Mara Bonds”). The Atlas Mara 7.5% Bonds are secured by Atlas Mara’s shares in UBN and the Atlas Mara 11.0% Convertible Bonds are not secured.

Pursuant to the Atlas Mara SOA, the company expects repayments on the Atlas Mara 7.5% Bonds as Atlas Mara receives the proceeds from the UBN Sale (see discussion under the header “Atlas Mara Facility” earlier in this note).

At March 31, 2022, interest receivable of $2,832 (December 31, 2021 - $2,832) related to the Atlas Mara 7.5% Bonds and reflected the same expected recovery as the principal. Interest receivable relating to the Atlas Mara 11.0% Convertible Bond has been accrued and capitalized up to December 28, 2020. The company no longer accrues interest on the Atlas Mara Bonds effective December 28, 2020.

At March 31, 2022, the company estimated the fair value of the Atlas Mara 11.0% Convertible Bonds and the Atlas Mara 7.5% Bonds to be $nil and $20,000 (December 31, 2021 - $28 and $20,000).

In the first quarters of 2022 and 2021, the company recorded interest income of $nil within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Bonds.

***Related Party Derivatives and Guarantees***

A summary of changes in the fair value of the company’s related party derivatives and guarantees for the first quarters of 2022 and 2021 were as follows:

| | **First Quarter of 2022** | | | | First Quarter of 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Balance as of January 1** | **Additions** | **Net change in unrealized gains (losses) on investments** | **Balance as of March 31** | **Balance as of January 1** | **Additions** | **Net change in unrealized gains (losses) on investments** | **Balance as of March 31** |
| **Related party derivatives and guarantees:** | | | | | | | | |
| Atlas Mara Facility Guarantee | **32,046** | **—** | **1,793** | **33,839** | 13,252 | — | 1,966 | 15,218 |
| HFP Redemption Derivative | **15,906** | **—** | **(2,082)** | **13,824** | — | 21,864 | — | 21,864 |
| **Total related party derivatives and guarantees** | **47,952** | **—** | **(289)** | **47,663** | 13,252 | 21,864 | 1,966 | 37,082 |

The company’s related party derivatives and guarantees are as follows:

*Atlas Mara Facility Guarantee*

On July 10, 2020, the company entered into an agreement with Fairfax whereby Fairfax guaranteed all principal and interest obligations of Atlas Mara under the Atlas Mara Facility, giving rise to a guarantee (the "Atlas Mara Facility Guarantee"), which was recorded in Related party derivatives and guarantees within the consolidated balance sheet.

At March 31, 2022, the fair value of the Atlas Mara Facility Guarantee reflected the expected continued forbearance with respect to the maturity of the Atlas Mara Facility, the inclusion of 7.5% default interest effective December 28, 2020 and the partial repayment of $11,325 on the Atlas Mara Facility received October 14, 2021.

At March 31, 2022, the company estimated the fair value of its investment in the Atlas Mara Facility Guarantee to be $33,839 (December 31, 2021 - $32,046).

*HFP Redemption Derivative*

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7) the company entered into the HFP Redemption Derivative. At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility (see discussion under the headers "Indirect equity interest in AGH", "Philafrica Foods Proprietary Ltd." and "Philafrica Facility" earlier in this note), and the PGR2 Loan (collectively, the "Reference Investments") is lower than $102,600. Refer to notes 7 and 8 for the company's valuation inputs and methodology with respect to the HFP 3.0% Redemption Derivative.

At March 31, 2022, the fair value of the company's HFP Redemption Derivative was $13,824 (December 31, 2021 - $15,906).

## 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:

| | March 31, 2022 | | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | **82,398** | **—** | **—** | **82,398** | 76,284 | — | — | 76,284 |
| | **82,398** | **—** | **—** | **82,398** | 76,284 | — | — | 76,284 |
| **Portfolio Investments:** | | | | | | | | |
| Limited partnership investments | **—** | **—** | **278,611** | **278,611** | — | — | 289,048 | 289,048 |
| Common shares | **33,112** | **—** | **157,764** | **190,876** | 29,292 | — | 158,614 | 187,906 |
| Loans | **—** | **—** | **45,454** | **45,454** | — | — | 42,564 | 42,564 |
| Bonds | **—** | **—** | **20,000** | **20,000** | — | — | 20,028 | 20,028 |
| **Total Portfolio Investments** | **33,112** | **—** | **501,829** | **534,941** | 29,292 | — | 510,254 | 539,546 |
| Related party derivatives and guarantees | **—** | **—** | **47,663** | **47,663** | — | — | 47,952 | 47,952 |
| Related party loan | **—** | **—** | **19,657** | **19,657** | — | — | 19,608 | 19,608 |
| **Total cash and investments** | **115,510** | **—** | **569,149** | **684,659** | 105,576 | — | 577,814 | 683,390 |
| | **16.9%** | **—%** | **83.1%** | **100.0%** | 15.4% | —% | 84.6% | 100.0% |

The fair values of HFP's Private Portfolio Investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models determined quarterly. Market observable inputs are used where possible, with unobservable inputs used where necessary.

Estimates and judgments for Private Portfolio Investments and Related Party Derivatives and Guarantees are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company utilizes valuation personnel from Helios to assist with the valuation of its investment portfolio. Detailed valuations are performed for those financial instruments that are priced internally, while external pricing received from independent pricing service providers are evaluated by the company for reasonableness. The company does not use independent valuation experts to determine the fair value of its Private Portfolio Investments. The company's Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the company's Valuation Committee.

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 three months of 2022 and 2021 there were no transfers of financial instruments between Level 1 and Level 2 and there were no transfers of financial instruments into 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 Portfolio Investments (classified as Level 3) are disclosed in note 5.

The tables that follow describe the valuation technique and significant unobservable inputs and illustrates the potential impact on net earnings (loss) of various combinations of changes in unobservable inputs in the company's internal valuation model for its financial instruments classified as Level 3 at March 31, 2022. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on analysis of the return on various equity indices, management's knowledge of the applicable equity markets and the potential impact of changes in interest rates. The reasonably possible ranges of discount rates reflect increased market volatility due to the economic and social impacts of the COVID-19 pandemic and the conflict in Ukraine. The range also reflects the additional uncertainty in determining recoverability, market multiples and the discounted cash flows for assessing the fair values of Private Portfolio Investments.

| Investments | Valuation technique | Significant unobservable inputs(1) | Inputs at March 31, 2022 | Inputs at December 31, 2021 | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| **Limited partnership investments** | | | | | |
| TopCo LP Class A Limited Partnership Interest(2) | Discounted cash flow and net asset value | Discount rate | 23.2% to 29.2% | 22.8% to 28.8% | Increases (decreases) in discount rates (decrease) increase fair value |
| | | Target exit dates | 2022-2027 | 2022 to 2027 | Increases (decreases) in target exit dates (decrease) increase fair value |
| | | Exit multiple of invested capital | 2.3x to 3.2x | 2.5x to 3.0x | Increases (decreases) in exit multiples increase (decrease) fair value |
| TopCo LP Class B Limited Partnership Interest | Discounted cash flow | Discount rate | 14.5% | 14.1% | Increases (decreases) in discount rates (decrease) increase fair value |
| | | Growth in assets under management | 23.1% | 23.1% | Increases (decreases) in growth in assets under management increase (decrease) fair value |
| | | Probability weighting on future fundraising initiatives(3) | 25.0% to 75.0% | 25.0% to 75.0% | Increases (decreases) in probability weightings on Excess Management Fees relating to future fundraising initiatives increase (decrease) fair value |
| | | Long term pre-tax profit margin | 42.2% | 42.2% | Increases (decreases) in long term pre-tax profit margin increase (decrease) fair value |
| | | Long term growth rate | 4.5% | 4.5% | Increases (decreases) in growth rates increase (decrease) fair value |
| **Common shares** | Market multiples | Multiples of EBITDA | 0.0x to 9.0x | 0.0x to 7.0x | Increases (decreases) in multiples of EBITDA increase (decrease) fair value |
| **Derivatives** | | | | | |
| Atlas Mara Facility Guarantee(4) | Discounted cash flow | Total fair value of the Atlas Mara Facility | $6,712 | $6,822 | Increases (decreases) in the total fair value of the Atlas Mara Facility (decrease) increase fair value |
| HFP Redemption Derivative | Discounted cash flow and option pricing model | Total fair value of the Reference Investments | $76,904 | $76,790 | Increases (decreases) in the total fair value of the Reference Investments (decrease) increase fair value |

(1) *Discount rates are subject to a mitigating factor: increases (decreases) in discount rates tend to be accompanied by increases (decreases) in free cash flows that may offset changes in fair value resulting from changes in discount rates. Exit multiples of invested capital and growth in assets under management are subject to a mitigating factor: increases (decreases) in exit multiples of invested capital and growth in assets under management tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value resulting from changes in exit multiples of invested capital and growth in assets under management. Target exit dates are a significant unobservable input and changes in target exit dates would change the fair value of the company's investment in TopCo LP Class A Limited Partnership Interest.*

(2) *In December 2021, TopCo LP's limited partnership agreement was amended to commit HFP to contributing no more than 50.0% of either $15,000 or 2.0% of total commitments to TopCo LP in respect of Management Team Commitments (refer to note 5). Accordingly, the company determined that the most appropriate valuation technique for the Management Team Commitment was net asset value. Net asset value was applied only for TopCo LP Class A Limited Partnership Interest's Management Team Commitment in Helios Fund IV. The company determined that there were no significant unobservable inputs suited for a sensitivity analysis for the Management Team Commitment.*

(3) *Probability weightings reflect an average reduction in unweighted future cash flows of 24.2%, calculated as the undiscounted sum of the expected cash flows divided by the undiscounted sum of the unweighted cash flows over the forecast period.*

(4) *At March 31, 2022, the Atlas Mara Facility Guarantee was valued using an assumed guarantee call date of April 1, 2022. If the Atlas Mara SOA were terminated, Atlas Mara would be in default on the Atlas Mara Facility, and management would call on the Atlas Mara Facility Guarantee in order to be made whole. Increases (decreases) in assumed guarantee call date result in increases (decreases) in the fair value of the Atlas Mara Facility Guarantee. At May 13, 2022, the Atlas Mara SOA had not been terminated, and the Atlas Mara Facility Guarantee had not been called.*

| Investments | Fair value of Investment | Valuation technique | Significant unobservable inputs | Sensitivity Factor | Hypothetical $ change effect on fair value measurement | Hypothetical $ change effect on net earnings (loss)[(1)] |
|---|---|---|---|---|---|---|
| | | | March 31, 2022 | | | |
| **Limited partnership investments:** | | | | | | |
| TopCo LP Class A Limited Partnership Interest | $87,574 | Discounted cash flow and net asset value | Discount rate | Increase/(decrease) 100 basis points | (1,414) / 1,458 | (1,226) / 1,265 |
| | | | Target exit dates | Increase/(decrease) 1 year | (21,658) / 23,587 | (18,788) / 20,461 |
| | | | Exit multiple of invested capital | Increase/(decrease) 5% | 6,853 / (11,478) | 5,945 / (9,957) |
| TopCo LP Class B Limited Partnership Interest | $156,197 | Discounted cash flow | Discount rate | Increase/(decrease) 100 basis points | (17,631) / 21,729 | (15,295) / 18,850 |
| | | | Growth in assets under management | Implied CAGR of committed capital of 22.3% to 23.9% | 16,326 / (16,326) | 14,163 / (14,163) |
| | | | Probability weighting on future fundraising initiatives | Increase/(decrease) 5.0% probability weighting | 31,750 / (31,669) | 27,543 / (27,473) |
| | | | Long term pre-tax profit margin | Increase/(decrease) 100 basis points | 2,506 / (2,506) | 2,174 / (2,174) |
| | | | Long term growth rate | Increase/(decrease) 25 basis points | 2,705 / (2,574) | 2,347 / (2,233) |
| **Common shares** | $68,835 | Market multiples | Multiples of EBITDA | Increase/(decrease) 5% | 7,533 / (7,533) | 6,535 / (6,535) |
| **Related party derivatives and guarantees:** | | | | | | |
| Atlas Mara Facility Guarantee | $33,839 | Discounted cash flow | Total fair value of the Atlas Mara Facility | Increase/(decrease) 10% | (671) / 671 | (582) / 582 |
| HFP Redemption Derivative | $13,824 | Discounted cash flow and option pricing model | Total fair value of the Reference Investments | Increase/(decrease) 10% | (7,690) / 7,690 | (6,671) / 6,671 |

(1) *For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings (loss) includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.*

**Discount rates** were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment of the investment. For expected future cash flows which were probability-weighted, risk premiums commensurate with the risks inherent in the expected cash flows were applied.

**Target exit date** for an underlying portfolio investment is the timing of the fund's expected disposition of the investment.

**Exit multiple of invested capital** for an underlying portfolio investment is equal to the fund's expected total proceeds divided by the expected total cost from initial investment to exit.

**Growth in assets under management** represents the compound annual growth rate in fee-bearing capital over eight years to approximately $6.9 billion from $1.3 billion at March 31, 2022, before taking into account probability weightings. Growth in assets under management is expected to be achieved through raising capital for future Africa-focused private funds of new strategies, permanent capital vehicles and follow-on private funds of both current and new strategies. A forecasting period of eight years was used due to the inherent long-term nature of Africa-focused private funds, which require additional time to fundraise, deploy capital and prepare investments for exit.

**Long term pre-tax profit margins** were estimated by Helios' management based on pre-tax management fee-related earnings margins. Pre-tax profit margins are forecasted to increase over an eight-year period driven primarily by growth in assets under management and the expected use of operating leverage. Fee-related earnings on future fundraising initiatives were probability weighted in a manner described below, resulting in expected long term pre-tax profit margins that were comparable to publicly listed global private equity asset managers.

**Long term growth rates** were based on the expected long term sustainable growth rate of the economic environments and sectors in which the investment operates.

**Probability weighting on future fundraising initiatives** reflects the probability weightings assigned to the various growth initiatives determined by Helios' management. Lower probability weightings were assigned to earnings arising from fee-bearing capital in the following decreasing order of probability: (i) follow-on private funds of current strategies; (ii) initiation of new strategies to be executed through future private funds and permanent capital vehicles; and (iii) follow-on private funds of these new strategies.

**Multiples of EBITDA** were based on the expected valuation contribution of a certain business unit to the investee as a whole and were assessed with reference to peer comparative multiples.

The table that follows illustrates the potential impact on net earnings (loss) of changes in expected recovery rates derived from collateral value and expected timing and proceeds from planned asset sales in the company's expected recovery model for loans and bonds classified as Level 3 at March 31, 2022. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on analysis of the underlying assets.

| | Expected recovery at | | Fair value of investment at March 31 | Hypothetical $ change effect on fair value measurement(1) | Hypothetical $ change effect on net earnings(1)(2) |
|---|---|---|---|---|---|
| **Investments** | **March 31, 2022** | **December 31, 2021** | **2022** | **2022** | |
| **Loans:** | | | | | |
| CIG Loan | 100.0% | 100.0% | $20,530 | - / (1,027) | - / (891) |
| Atlas Mara Facility | 45.4% | 46.1% | $6,712 | 739 / (739) | 642 / (642) |
| Philafrica Facility | 100.0% | 100.0% | $8,069 | - / (403) | - / (350) |
| **Bonds:** | | | | | |
| Atlas Mara 11.0% Convertible Bonds | —% | 0.1% | $— | 999 / - | 867 / - |
| Atlas Mara 7.5% Bonds | 100.0% | 100.0% | $20,000 | - / (1,000) | - / (868) |

*(1) The impact on the expected recovery models from changes in expected recovery rates disclosed in the above table shows the hypothetical increase (decrease) in net earnings (loss). Changes in expected recovery rates (5.0%, to a maximum of 100% expected recovery and a minimum of $nil expected recovery) would hypothetically change the fair value of the company's investments as noted in the table above. An increase (decrease) in expected recovery rates would result in a higher (lower) fair value of the company's Private Portfolio Investments classified as Level 3 in the fair value hierarchy.*

*(2) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings (loss) includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.*

The following investments have been excluded from the sensitivity analysis above as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis for these investments.

| | Valuation technique at | | Fair value of investment at March 31 |
|---|---|---|---|
| **Investments** | **March 31, 2022** | **December 31, 2021** | **2022** |
| **Limited partnership investments:** | | | |
| Helios Fund IV limited partnership interest | Net asset value reported by Helios Fund IV GP | Net asset value reported by Helios Fund IV GP | $34,840 |
| **Common shares:** | | | |
| NBA Africa | Transaction price implied by third party investment | Transaction price implied by third party investment | $33,416 |
| Trone Holdings | Initial transaction price | Initial transaction price | $15,528 |
| Indirect equity interest in Nova Pioneer | Transaction price implied by third party investment | Transaction price implied by third party investment | $38,811 |
| Indirect equity interest in Access Bank SA | Transaction price implied by Access Bank's investment | Transaction price implied by Access Bank's investment | $1,174 |
| **Loans:** | | | |
| AFGRI International Facility | Amortized cost | Amortized cost | $10,143 |
| Fairfax Loan | Amortized cost | Amortized cost | $19,657 |

***Investment Income***

An analysis of investment income for the three months ended March 31 is summarized in the table that follows:

| | First quarter | |
|---|---|---|
| | **2022** | 2021 |
| Interest: | | |
| Cash and cash equivalents | **123** | 28 |
| Restricted cash deposits | **—** | 73 |
| Term deposits | **—** | 129 |
| Loans | **649** | 243 |
| | **772** | 473 |
| Dividends: Common shares | **489** | 148 |

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

| | First quarter | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | | | 2021 | | |
| | **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:** | | | | | | |
| Limited partnership investments | **—** | **(5,823)** | **(5,823)** | — | — | — |
| Common shares | **—** | **(6,326)** | **(6,326)** | — | (467) | (467) |
| Loans | **—** | **(60)** | **(60)** | — | (401) | (401) |
| Bonds | **—** | **(28)** | **(28)** | — | 54 | 54 |
| Related party derivatives and guarantees | **—** | **(289)** | **(289)** | — | 1,966 | 1,966 |
| | **—** | **(12,526)** | **(12,526)** | — | 1,152 | 1,152 |
| **Net foreign exchange gains (losses) on:** | | | | | | |
| Cash and cash equivalents | **—** | **1,055** | **1,055** | (79) | — | (79) |
| Common shares | **—** | **9,296** | **9,296** | — | (597) | (597) |
| Loans | **—** | **2,376** | **2,376** | — | (136) | (136) |
| Other | **—** | **3** | **3** | — | (160) | (160) |
| | **—** | **12,730** | **12,730** | (79) | (893) | (972) |

## 7. Borrowings

| | **March 31, 2022** | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Principal** | **Carrying value** | **Fair value** | Principal | Carrying value | Fair value |
| HFP 3.0% Debentures (host instrument) due March 31, 2024[(1)] | **100,000** | **98,778** | **88,389** | 100,000 | 98,200 | 98,200 |

*(1) Redeemable on either of the first two anniversary dates, at the option of Fairfax.*

*HFP 3.0% Debentures*

On March 31, 2021, Fairfax, through its affiliates, invested $100,000 in 3.0% unsecured debentures of HFP (the "HFP 3.0% Debentures") and 3,000,000 warrants (the "HFP Warrants"). The Warrants are exercisable for one subordinate voting share of HFP, have an exercise price of $4.90 and are exercisable at any time prior to March 31, 2026. The HFP Warrants include anti-dilution features, which may increase or decrease the total number of subordinate voting shares issuable per HFP Warrant, in the event that certain share transactions are undertaken by the company which may increase or decrease the company's outstanding subordinate voting shares. The net proceeds from the HFP 3.0% Debentures will be or have been used primarily to invest in Portfolio Investments. The HFP 3.0% Debentures mature on March 31, 2024 or, at the option of Fairfax, on either of the first two anniversary dates. At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility, and the PGR2 Loan (collectively, the "Reference Investments") is lower than $102,600.

The company determined that the variability of cash flows arising from the redemption price, either on maturity or upon Fairfax's exercise of its put option, held economic characteristics and risks which were not closely related to the debt instrument and reflected those of a separate derivative financial instrument. Furthermore, Fairfax's put option and the adjustment to the redemption amount are both linked to the Reference Investments, and the exercise of Fairfax's put option and the adjustment to the redemption amount are not mutually exclusive. Accordingly, at inception, the company recorded the embedded derivative, inclusive of Fairfax's put option (the "HFP Redemption Derivative"), as a derivative financial instrument under Related party derivatives and guarantees within the consolidated balance sheet, separately from the host debt instrument (the "HFP Host Debentures") recorded in borrowings within the consolidated balance sheets. The company did not elect to irrevocably designate the entire hybrid contract as measured at fair value through profit or loss.

At inception, the company estimated the fair value of the HFP Host Debentures using a discounted cash flow analysis that incorporated HFP's estimated credit spread of 3.3%. The estimated credit spread was based on the credit spreads of a peer group of companies adjusted for credit risk specific to HFP. At inception the company's internal valuation model indicated that the fair value of the HFP Host Debentures was $98,200 which was recorded in borrowings within the consolidated balance sheets. The HFP Host Debentures are carried at amortized cost.

At inception, the company estimated the fair value of the HFP Warrants using an industry accepted option pricing model that included HFP's underlying share price of $4.56, exercise price of $4.90, historical volatility of 48.5%, exercise period of five years, no expected dividends, and risk-free rate of 1.0%. At inception, the company determined that the fair value of the HFP Warrants issued was $5,557 which was recorded in warrants within common shareholders' equity.

The transaction was executed with Fairfax in its capacity as a shareholder of HFP and as such, at inception, the difference of $18,107 between the total net fair value of the financial instruments issued and received ($81,893) and the transaction amount ($100,000) was recorded in contributed surplus within common shareholders' equity.

*Revolving Credit Facility*

On March 3, 2022, the company closed a $70,000 secured revolving credit facility with FirstRand Bank Limited (acting through its Rand Merchant Bank division) (the "RMB Facility"), bearing interest at a rate of the compound reference rate plus 6.88%, payable quarterly. The RMB Facility matures on March 3, 2027. The RMB Facility is collateralized by the company's rights, title and interests in the securities held in the Mauritius Sub and SA Sub, as well as Mauritius Sub's bank accounts and its receivables.

Under the terms of the RMB Facility, the company is required to maintain an asset cover ratio, being the ratio of total cash and cash equivalents plus the fair value of Portfolio Investments (excluding the fair value of the TopCo Limited Partnership Interests) to total borrowings, an asset cover ratio (listed), being the ratio of total cash and cash equivalents plus the fair value of listed Portfolio Investments to total borrowings, and an adjusted tangible net worth of at least $335,000 for the first 12 months following the closing date and greater than or equal to $350,000 thereafter, being the total equity of the Company less 75% of the fair value of the TopCo Limited Partnership Interests. At March 31, 2022, the RMB Facility was undrawn, and the company was in compliance with the covenants of the RMB Facility.

*Interest Expense*

During the first quarter of 2022, the company recorded interest expense of $886 related to interest on the HFP 3.0% Debentures (2021 - $0).

## 8. Common Shareholders' Equity

*Authorized Capital*

The company's authorized share capital consists of: (i) an unlimited number of multiple voting shares that may only be issued to Fairfax, HFP Investments Holdings SARL (“Principal Holdco”), and certain of their respective subsidiaries and affiliates and are not publicly traded; (ii) an unlimited number of subordinate voting shares; and (iii) an unlimited number of preference shares, issuable in series. Except as provided in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to vote at any meeting of the shareholders of the company.

*Issued Capital*

Issued capital at March 31, 2022 included 55,452,865 (December 31, 2021 – 55,452,865) multiple voting shares and 52,740,898 (December 31, 2021 – 52,806,780) subordinate voting shares. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. At March 31, 2022 and December 31, 2021 there were no preference shares outstanding.

Principal Holdco and its subsidiaries and affiliates may not, without the prior written consent of Fairfax and the approval of Board of Directors by simple majority approval, transfer any of their shares in the company prior to the earlier of December 8, 2025 or upon termination of the Investment Advisory Agreement. In the event Fairfax transfers shares, Principal Holdco and its affiliates may transfer an equal proportion of their shares without the prior written consent of Fairfax or the Board of Directors.

Fairfax, through its subsidiaries and affiliates, and Principal Holdco own all the issued and outstanding multiple voting shares, which are not publicly traded.

*Common stock*

The number of shares outstanding was as follows:

| | **2022** | 2021 |
|---|---|---|
| Subordinate voting shares - January 1 | **52,806,780** | 53,665,388 |
| Purchases for cancellation | **(65,882)** | — |
| Subordinate voting shares - March 31 | **52,740,898** | 53,665,388 |
| Multiple voting shares - beginning and end of period | **55,452,865** | 55,452,865 |
| Common shares effectively outstanding - March 31 | **108,193,763** | 109,118,253 |

*Purchase of Shares*

The company will be entitled, subject to compliance with applicable corporate and securities laws, to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. During the first three months of 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 65,882 subordinate voting shares (2021 - $nil) for a net cost of $223 (2021 - $nil) and $313 (2021 - $nil) was recorded as a benefit in retained earnings.

*Automatic Share Purchase Plan*

In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with a designated broker to allow for the purchase of subordinated voting shares at times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on parameters established by the company prior to commencement of the applicable trading black-out period. At March 31, 2022 the automatic share purchase plan gave rise to an obligation to repurchase shares up to a maximum dollar limit of $500 (December 31, 2021 - $500), which was recorded as an automatic share purchase plan liability within the consolidated balance sheets.

*Subsequent to March 31, 2022*

Subsequent to March 31, 2022, under the terms of the automatic share purchase plan in place for the normal course issuer bid, 22,894 subordinate voting shares were purchased on behalf of the company for a net cost of $82.

On May 2, 2022, the automatic share purchase plan was terminated by the company and designated broker.

*Warrants*

On March 31, 2021, Fairfax, through its affiliates, invested $100,000 in HFP 3.0% Debentures and HFP Warrants. At inception, the company determined that the fair value of the HFP Warrants issued was $5,557 which was recorded in warrants within common shareholders' equity.

*Dividends*

The company adopted a policy to provide for an annual dividend with respect to the subordinate voting shares and the multiple voting shares of an amount sufficient to produce a non-cumulative and non-accruing 2.0% dividend yield per share (the "Dividend Policy"), calculated based on the average closing market price of the subordinate voting shares on each trading day of the last fiscal quarter for the prior fiscal year. The declaration of any dividends is conditional upon assets exceeding the aggregate of liabilities and stated capital of multiple voting shares and subordinate voting shares after such declaration and will be determined by the Board of Directors in its sole discretion. The company did not pay any dividends on its outstanding multiple and subordinate voting shares during the first three months of 2022 and 2021.

*Capital Contributions*

On March 31, 2021, Fairfax, through its affiliates, invested $100,000 in HFP 3.0% Debentures and HFP Warrants. At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in the Reference Investments is lower than $102,600. At inception, the difference of $18,107 between the total net fair value of the financial instruments issued (HFP 3.0% Debentures - $98,200; HFP Warrants - $5,557) and received (HFP Redemption Derivative ($21,864) and the transaction amount ($100,000) was recorded in contributed surplus within common shareholders' equity, in line with the company's accounting policy on related party transactions.

## 9. Share-Based Incentive Plans

*Special Incentive Plan*

Under the Special Incentive Plan ("SIP"), 2,505,637 options to purchase subordinate voting shares of the company were granted to the SIP Recipients. Options issued under the SIP vested immediately on grant date and had an exercise price of $3.99 per share and maturity date of December 8, 2030. The options may also be exercised by way of a cashless exercise, at the participant's option, where the company will issue shares equivalent to the amount by which the aggregate fair market value of the shares at time of exercise exceed the exercise price, less any applicable withholding taxes. At March 31, 2022 and December 31, 2021, the maximum number of options under the SIP had been issued, and none of the options granted were exercised.

The company estimated the fair value of the options granted under the SIP using the option pricing model that incorporated an underlying share price of $4.09 per share, exercise price of $3.99 per share, expected volatility of 45.8%, option term of ten years, no expected dividends, and risk-free rate of 1.3%. Expected volatility was determined based on daily historical volatility of HFPC.U since initial public offering on February 17, 2017.

*Subsequent to March 31, 2022*

*Long-Term Incentive Plan*

On April 20, 2022, the company's Long-Term Incentive Plan ("LTIP") was approved at the annual and general meeting of shareholders. The LTIP allows the company's Board of Directors or the Governance, Compensation and Nominating Committee to grant long-term incentives to (i) directors, officers and employees of the company and its affiliates; (ii) certain consultants and service providers, including consultants and other persons that provide services to the company and its affiliates or any partnership or other entity in which the company or any of its affiliates has made an investment; and (iii) employees and members of the Manager or an affiliate thereof that provides services to the Portfolio Advisor or any related entity of the Portfolio Advisor for the benefit of the company. Awards granted under the LTIP may consist of options, restricted subordinate voting shares, stock appreciation rights, restricted share units, deferred share units or performance share units. Each award will be subject to the terms and conditions set forth in the LTIP and to those other terms and conditions specified by the company's Governance, Compensation and Nominating Committee.

## 10. Net Earnings (Loss) per Share

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

| | First quarter | |
|---|---|---|
| | **2022** | 2021 |
| Net earnings (loss) - basic and diluted | **(2,935)** | (11,149) |
| Weighted average shares outstanding - basic and diluted | **108,221,842** | 109,118,253 |
| Net earnings (loss) per share | **$ (0.03)** | $ (0.10) |
| Net earnings (loss) per diluted share | **$ (0.03)** | $ (0.10) |

At March 31, 2022, there were no contingently issuable subordinate voting shares related to the performance fee payable to TopCo LP. Under the Investment Advisory Agreement, the performance fee for the first calculation period, if applicable, will be payable after December 31, 2023. TopCo LP's general partner may elect, no later than fifteen days from the end of the calculation period (the "election date"), to receive the performance fee, wholly or partly, in cash or in subordinate voting shares of the company. 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 election date.

At March 31, 2022 there were no potential subordinate voting shares issuable relating to the Special Incentive Plan (refer to note 9) because the options issued under the Special Incentive Plan were out of the money, and no potential subordinate voting shares issuable relating to the HFP Warrants (refer to note 7) because the HFP Warrants were out of the money.

## 11. Income Taxes

The company's provision for income taxes for the three months ended March 31 is summarized in the following table:

| | First quarter | |
|---|---|---|
| | **2022** | 2021 |
| Current income tax: | | |
| Current year expense (recovery) | **(595)** | (1,325) |
| Adjustment to prior years' income taxes | **—** | — |
| | **(595)** | (1,325) |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | **707** | 2,737 |
| Adjustments to prior years' deferred income taxes | **—** | — |
| | **707** | 2,737 |
| Provision for (recovery of) income taxes | **112** | 1,412 |

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).

A reconciliation of the provision for (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 months ended March 31 are summarized in the following table:

| | First quarter | |
|---|---|---|
| | **2022** | 2021 |
| Canadian statutory income tax rate | **26.5 %** | 26.5 % |
| Recovery of income taxes at the Canadian statutory income tax rate | **(748)** | (2,580) |
| Non-taxable (gains) losses on investments | **503** | 1,975 |
| Tax rate differential on earnings (losses) incurred outside of Canada | **(1,629)** | (404) |
| Unused tax losses | **(52)** | — |
| Change in unrecorded tax benefit of losses and temporary differences | **3,029** | 3,130 |
| Foreign exchange effect | **(970)** | (716) |
| Other, including permanent differences | **(21)** | 7 |
| Provision for (recovery of) income taxes | **112** | 1,412 |

Non-taxable losses on investments of $503 in the first quarter of 2022 principally reflected the non-taxable portion of unrealized losses on investments in TopCo LP and Helios Fund IV of $383, and the non-taxable portion of unrealized losses on other investments of $120. Non-taxable losses on investments of $1,975 in the first quarter of 2021 principally reflected unrealized losses on investments of $2,423 partially offset by unrealized gains on investment in TopCo LP of $448.

Tax rate differential on losses incurred outside of Canada of $1,629 in the first quarter of 2022 principally reflected the tax impact of foreign accrual property income and losses, foreign accrual capital losses, and net investment losses taxed at different rates in jurisdictions outside of Canada. The tax rate differential on losses incurred outside of Canada of $404 in the first quarter of 2021 principally reflected the current and deferred tax impact of foreign accrual property and capital losses, net investment losses taxed in Mauritius at lower rates, partially offset by losses incurred in South Africa taxed at marginally higher rates.

Unused tax losses of $52 in the first quarter of 2022 (2021 - $nil) reflected the company's net capital loss carryforward arising from an intercompany transaction.

The change in unrecorded tax benefit of losses and temporary differences of $3,029 in the first quarter of 2022 principally reflected the change in deferred tax assets and liabilities in foreign accrual capital losses of $308, investment and other temporary timing differences of $1,137 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS, and deferred tax assets and liabilities in South Africa on investments of $1,584. The change in unrecorded tax benefit of losses and temporary differences of $3,130 in the first quarter of 2021 principally reflected the change in deferred tax assets in foreign accrual capital losses of $2,734 and investment and other temporary timing differences of $1,105 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS, partially offset by deferred tax assets in South Africa on investments of $709.

Foreign exchange effect of $(970) in the first quarter of 2022 (2021 - $716) 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.

Other, including permanent differences of $(21) in the first quarter of 2022 (2021 - $7) principally reflected non-deductible expenses.

## 12. Financial Risk Management

### *Overview*

The company's activities expose it to certain financial risks during or at the end of the reporting period. There were no significant changes in the types of the company's risk exposures or the company's framework used to monitor, evaluate and manage the company's risk exposures at March 31, 2022 compared to those identified at December 31, 2021, except as described below.

*COVID-19*

The company's Portfolio Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19. Global recovery from the COVID-19 pandemic continued to progress during the first quarter of 2022, although its momentum has been continuously impacted by the introduction of new variants, and as a result, prolonged disruptions to global supply chains. The extension or reintroduction of containment measures may contribute to greater uncertainty and delay the recovery of economic activity. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

*Conflict in Ukraine*

On February 24, 2022 Russia invaded Ukraine, causing a major humanitarian crisis. As a result, countries around the world, largely led by western nations, have imposed economic sanctions against Russia ("the conflict in Ukraine"), including bans on the import of Russian oil and natural gas by certain countries including Canada and the United States. As a result of these sanctions, oil and other commodity prices increased sharply and were volatile throughout March 2022. It is not expected that these developments will have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

### *Market Risk*

Market risk (comprised of foreign currency risk, interest rate risk and market 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, but may also be affected, along with other financial statement items, by fluctuations in foreign currency exchange rates and market prices.

*Foreign Currency Risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in exchange rates and as a result, could produce an adverse effect on net earnings and common shareholders' equity when measured in U.S. dollars, the company's functional currency.

The company has cash and cash equivalents, Portfolio Investments, and receivables in South African rand, and a Portfolio Investment in pound sterling. In addition, the company has cash and cash equivalents in Canadian dollars and Mauritian rupees, of which the impact of fluctuations in either would be insignificant. In the first three months of 2022, the company’s net foreign currency exposure on balances denominated in the South African rand and pound sterling remained relatively constant when compared to the net foreign currency exposure to those currencies at December 31, 2021. The company's common shareholders' equity and net earnings (loss) may be significantly affected by foreign currency movements resulting from the company's South African rand- and pound sterling-denominated investments.

At March 31, 2022, had the U.S. dollar strengthened by 5% or 10% relative to the South African rand with all other variables held constant, the net decrease in net earnings (loss) would have been $4,877 and $9,753, respectively. Conversely, had the U.S. dollar weakened by 5% or 10% relative to the South African rand, with all other variables held constant, the net increase in net earnings (loss) would have been $4,877 and $9,753, respectively. At March 31, 2022, had the U.S. dollar strengthened by 5% or 10% relative to the pound sterling with all other variables held constant, the net decrease in net earnings (loss) would have been $379 and $757, respectively. Conversely, had the U.S. dollar weakened by 5% or 10% relative to the pound sterling, with all other variables held constant, the net increase in net earnings (loss) would have been $379 and $757, respectively. The company has not hedged its foreign currency risk. Certain shortcomings are inherent with this method of analysis, including the assumption that the hypothetical appreciation or depreciation of the South African rand and pound sterling against the U.S. dollar occurred with all other variables held constant.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Typically, as interest rates rise, the fair values of fixed income investments decline and, conversely, as interest rates decline, the fair values 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.

At March 31, 2022 the company held fixed income investments with a fair value of $55,311 (December 31, 2021 - $52,866), representing 65.0% (December 31, 2021 - 64.3%) of the fixed income portfolio, which were valued using expected recovery models. As expected recovery models are dependent on the expected proceeds from the planned orderly disposition of the issuer's assets or the fair value of the underlying collateral, these investments have limited exposure to interest rate risk.

*Market Price Fluctuations*

Market price fluctuation is the risk that the fair value of future cash flows of an equity investment or limited partnership investment will fluctuate due to changes in market prices (other than those arising from foreign currency risk).

The company holds significant equity and limited partnership investments and is exposed to market price risk. 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 decreased to $400,652 at March 31, 2022 from $407,383 at December 31, 2021 primarily as a result of the receipt of an equalization capital adjustment of $4,614 from Helios Fund IV and net unrealized losses on limited partnership interests, partly offset by unrealized gains on public and private common shares, and the HFP Redemption Derivative, which limits the company's exposure to market price risk on its investments in indirect equity interest in AGH and Philafrica common shares (refer to note 5). The impact of a 10.0% decrease in the fair value of the company's investments classified as Level 1 in the fair value hierarchy at March 31, 2022, with all other variables held constant, would have resulted in a net decrease in net earnings (loss) of $2,434 (December 31, 2021 - $2,153). Conversely, the impact of a 10.0% increase in the fair value of the company's investments classified as Level 1 in the fair value hierarchy at March 31, 2022, with all other variables held constant, would have resulted in a net increase in net earnings (loss) of $2,434 (December 31, 2021 - $2,153). Refer to note 6 for the potential impact on net earnings (loss) 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 with respect to cash and cash equivalents, restricted cash deposits, term deposits, short term investments, receivables, and investments in debt instruments.

*Cash and Cash Equivalents*

The company monitors risks associated with cash and cash equivalents by regularly reviewing the financial strength and creditworthiness of these financial institutions. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

At March 31, 2022 the company's cash and cash equivalents of $82,398 (December 31, 2021 - $76,284) were comprised of $60,771 (December 31, 2021 - $51,609) at the holding company (principally in major Canadian financial institutions) and $21,627 (December 31, 2021 - $24,675) at the company's wholly-owned subsidiaries.

At March 31, 2022, the company held $1,017 in cash and cash equivalents (December 31, 2021 - $4,677) in deposit accounts with Access Bank SA.

*Receivable from Related Parties*

The company monitors risks associated with receivables from related parties by regularly reviewing the financial strength and creditworthiness of these related parties and has determined that the credit risk associated with related parties is minimal.

At March 31, 2022, the company's receivable from related parties of $969 (December 31, 2021 - $11,002) was comprised of $969 receivable from TopCo LP. The receivable at December 31, 2021 was primarily comprised of $10,512 receivable from TopCo LP and $490 receivable from other parties (refer to note 13).

*Other Assets*

At March 31, 2022, the company's other assets of $1,353 (December 31, 2021 - $1,390) were primarily comprised of amounts receivable from Atlas Mara relating to the guarantee provided to TLG Credit Opportunities Fund ("TLG Capital") on Atlas Mara's facility with TLG Capital (the "TLG Facility"). At March 31, 2022, the company estimated the recoverable amount on its receivable from Atlas Mara to be $1,188 (December 31, 2021 - $1,188) based on amounts received and expected to be received from the sale of Atlas Mara Botswana to Access Bank, pursuant to the terms of the Atlas Mara SOA. Refer to note 14 for the company's valuation of the receivable from Atlas Mara.

*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. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

The company assesses the creditworthiness of each new counterparty prior to entering into contracts. Management monitors credit risk from its Portfolio Investments in debt instruments through reviewing financial performance of its counterparties, collateral arrangements, diversification, and other credit risk mitigation techniques.

At March 31, 2022, the company had debt instruments with a fair value of $85,111 (December 31, 2021 - $82,200) that were subject to credit risk, representing 12.4% (December 31, 2020 - 12.0%) of the total cash and investments.

The company's exposure to credit risk from its investments in fixed income securities increased to $77,042 at March 31, 2022 from $74,981 at December 31, 2021 primarily as a result of net foreign exchange gains on the CIG Loan ($1,709). The HFP Redemption Derivative limits the company's exposure to credit risk on its investment in the Philafrica Facility (refer to note 5).

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.

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | **Cost [(1)]** | **Fair value** | **Cost [(1)]** | **Fair value** |
| Loans: | | | | |
| Due in 1 year or less [(2)] | **55,300** | **45,454** | 54,453 | 42,564 |
| Due after 1 year through 5 years | **19,657** | **19,657** | 19,608 | 19,608 |
| | **74,957** | **65,111** | 74,061 | 62,172 |
| Bonds: | | | | |
| Due in 1 year or less [(2)] | **39,363** | **20,000** | 39,363 | 20,028 |
| | **39,363** | **20,000** | 39,363 | 20,028 |

*(1) Cost is comprised of fair value on initial recognition and capitalized interest.*
*(2) At March 31, 2022 and December 31, 2021, includes instruments for which the contractual maturity has passed but have not yet been repaid.*

At March 31, 2022, loans with fair values of $45,454 and bonds with fair values of $nil (December 31, 2021 - $42,564 and $28) contained call features. At March 31, 2022 and December 31, 2021, there were no debt instruments containing put features.

***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 must be remitted to the respective tax jurisdictions as they are due.

Cash and cash equivalents, receivable from related parties, the RMB facility (refer to note 7) and publicly traded investments at March 31, 2022 provide adequate liquidity to meet the company's remaining known significant commitments over the next twelve months, which are principally comprised of undrawn capital commitments to Helios Fund IV and TopCo LP, interest expense on the HFP 3.0% Debentures, the investment and advisory fees, general and administration expenses, corporate income taxes, and the potential settlement of the HFP 3.0% Debentures if Fairfax exercises its put option, net of the fair value of the HFP Redemption Derivative. The company has adequate liquid assets to support its operations.

The following table presents the company’s contractual obligations by their contractual maturity date:

| | March 31, 2022 | | December 31, 2021 | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | Total | Less than 1 year | 1-2 years |
| HFP 3.0% Debenture - Principal repayment[(1)] | 100,000 | 100,000 | 100,000 | — | 100,000 |
| HFP 3.0% Debenture - Interest | 3,000 | 3,000 | 6,750 | 3,000 | 3,750 |
| Helios Fund IV Commitment | 22,891 | 22,891 | 18,549 | 18,549 | — |
| TopCo LP Management Team Commitment | 3,434 | 3,434 | 2,782 | 2,782 | — |
| Due to related parties | 2,430 | 2,430 | 8,803 | 7,865 | 938 |
| Accounts payable and accrued liabilities | 845 | 845 | 136 | 136 | — |
| Automatic share purchase plan | 500 | 500 | 500 | 500 | — |
| | 133,100 | 133,100 | 137,520 | 32,832 | 104,688 |

*(1) At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company’s investments in the Reference Investments is lower than $102,600. At March 31, 2022, Fairfax did not exercise its option to redeem the HFP 3.0% Debenture on the first anniversary. Refer to note 7.*

The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent HFP has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts required by each Helios Fund in accordance with their respective governing documents. At March 31, 2022 and December 31, 2021, the company was not subject to any clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest. The company may be subject to capital call obligations with respect to its TopCo LP Class A and Class B Limited Partnership Interests to cover its pro rata share of expenses incurred by TopCo LP and TopCo LP's share of commitments to the general partners of the Helios Funds, the risk of which is partially mitigated by the six-month holding period of Excess Management Fee Proceeds by TopCo LP.

***Concentration Risk***

The company's 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 the 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 composition of the company's Portfolio Investments by industry sector is presented in the following table:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Asset management | **243,771** | 250,182 |
| Food and agriculture | **87,047** | 86,516 |
| Financial services [(1)] | **38,725** | 40,230 |
| Education | **38,811** | 38,811 |
| Entertainment | **33,416** | 33,416 |
| Infrastructure | **20,530** | 18,797 |
| Retail and distribution [(1)] | **32,213** | 34,140 |
| Insurance [(1)] | **7,316** | 8,162 |
| Other | **33,112** | 29,292 |
| | **534,941** | 539,546 |

*(1) Helios Fund IV has been allocated to industry sectors based on underlying investment holdings.*

***Capital Management***

The company's objectives when managing capital is to optimize returns for common shareholders, while seeking attractive risk-adjusted returns. Total capital, comprised of common shareholders' equity and borrowings, was $687,522 at March 31, 2022 (December 31, 2021 - $690,534). The decrease primarily reflected a net loss of $2,935 and purchases for cancellation of 65,882 subordinate voting shares for a net cost of $223, partially offset by the amortization of share-based payment awards ($31).

## 13. Related Party Transactions

***Payable to Related Parties***

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

| | **March 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Helios Holdings Group [(1)]** | **Fairfax** | **Total** | Helios Holdings Group [(1)] | Fairfax | Total |
| Performance fee | **—** | **—** | **—** | 938 | — | 938 |
| Investment and advisory fees | **2,093** | **—** | **2,093** | 1,711 | — | 1,711 |
| Management services fees | **—** | **330** | **330** | — | 400 | 400 |
| Management compensation | **—** | **7** | **7** | — | — | — |
| TopCo LP Capital Call | **—** | **—** | **—** | 4,718 | — | 4,718 |
| Other | **—** | **—** | **—** | — | 1,036 | 1,036 |
| | **2,093** | **337** | **2,430** | 7,367 | 1,436 | 8,803 |

*(1) Investment and advisory fees are paid to TopCo LP, and management compensation is paid to key management.*

*Investment Advisory Agreement*

The company and its subsidiaries are parties to the Investment Advisory Agreement with TopCo LP, pursuant to which TopCo LP became the portfolio advisor and portfolio administrator to the company and its subsidiaries. TopCo LP immediately entered into a sub-investment and advisory agreement with the Manager, pursuant to which the Manager was appointed as TopCo LP's sub-advisor for the purposes of the Investment Advisory Agreement. As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity adjusted to exclude TopCo LP.

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 and the fair value of TopCo LP. In the first quarter of 2022, investment and advisory fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) were $1,055 (2021 - $741).

*Performance Fee*

The performance fee under the Investment Advisory Agreement is accrued quarterly and is calculated, on a cumulative basis, as 20% of any increase in book value per share, excluding investment in and any cash distributions made by TopCo LP ("Adjusted Book Value per Share"), above a 5% per annum increase less any performance fees settled in prior calculation periods. The amount of Adjusted Book Value 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".

Under the Investment Advisory Agreement, the period from January 1, 2021 to December 31, 2023 (the "first calculation period") is the first consecutive three-year period for which a performance fee, if applicable, will be payable to TopCo LP. At March 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 - $938) as the Adjusted Book Value per Share of $3.14 (before factoring in the impact of the performance fee) at March 31, 2022 was less than the hurdle per share at that date of $3.16.

The performance fee, if applicable, will be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2023. TopCo LP's general partner may elect, no later than fifteen days from the end of the calculation period (the "election date"), to receive the performance fee, wholly or partly, in cash or in subordinate voting shares of the company. 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 election date.

In the first quarter of 2022, a performance fee recovery of $938 (2021 - performance fee of $1,855) was recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) as a result of the reversal of the performance fee recorded at December 31, 2021.

*Management Services Agreement*

The company has entered into a Management Services Agreement with Fairfax, pursuant to which Fairfax will provide certain services to the company and its subsidiaries on a two-year transitional basis for $1,700 in the first year and $2,125 in the second year, adjusted for discontinued services, paid quarterly in arrears. In the first quarter of 2022, the services provided by Fairfax under the Management Services Agreement include providing and paying for the compensation of a Corporate Secretary to the company. In the first quarter of 2021 the services provided by Fairfax under the Management Services Agreement include providing and paying for the compensation of a Chief Financial Officer and Corporate Secretary to the company.

In the first quarter of 2022, the management services fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) was $382 (2021 - $419).

*TopCo LP Capital Call*

The TopCo LP capital call of $4,718 at December 31, 2021 was comprised of a capital call payable to TopCo LP with respect to Management Team Commitment. On January 7, 2022, the company paid a contribution of $4,718 relating to the Management Team Commitment, which was settled on a net basis with $7,733 receivable from TopCo LP discussed below. Refer to note 5 for the company's commitments and capital contributions to TopCo LP.

*Other*

Other payable of $1,036 at December 31, 2021 was primarily comprised of amounts due to Fairfax for expenses incurred by Fairfax and Hamlin Watsa Investment Counsel Ltd. on behalf of the company.

***Receivable from Related Parties***

Receivable from related parties of $969 at March 31, 2022 (December 31, 2021 - $11,002) was comprised of a distribution receivable of $969 from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during the last 6 months of 2021. Refer to the Private Portfolio Investments section in note 5. The receivable at December 31, 2021 was primarily comprised of a distribution receivable from TopCo LP Class A Limited Partnership Interest of $7,733 and $2,410 distribution receivable from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during the last 6 months of 2021.

***Fairfax's Voting Rights and Equity Interest***

At March 31, 2022, Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 5,302,912 subordinate voting shares of HFP (December 31, 2021 - 30,000,000 and 5,302,912 respectively), as well as 3,000,000 HFP Warrants exercisable for one subordinate voting share each, none of which have been exercised.

At March 31, 2022, Fairfax's holdings of multiple and subordinate voting shares represented 53.3% of the voting rights and 32.6% of the equity interest in HFP (December 31, 2021 - 53.3% and 32.6%).

***Helios' Voting Rights and Equity Interest***

At March 31, 2022, Principal Holdco, a Luxembourg holding company, indirectly owned by Tope Lawani and Babatunde Soyoye, owned 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP (December 31, 2021 - 25,452,865 and 24,632,413).

At March 31, 2022, Helios' holdings of multiple and subordinate voting shares represented 45.9% of the voting rights and 46.3% of the equity interest in HFP (December 31, 2021 - 45.9% and 46.3%).

***Key Management Personnel and Director Compensation***

*Management Compensation*

In the first quarter of 2022, the company incurred $309 (2021 - $250) in compensation expense for key management personnel, which was recorded in general and administration expenses within the consolidated statements of earnings (loss) and comprehensive income (loss).

*Director Compensation*

Compensation for the company's Board of Directors for the first quarters of 2022 and 2021 was recognized in general and administration expenses in the consolidated statements of earnings (loss) and comprehensive income (loss) as follows:

| | First quarter | |
|---|---|---|
| | **2022** | 2021 |
| Retainers and fees | **100** | 31 |
| Share-based payments | **31** | 31 |
| | **131** | 62 |

***Special Incentive Plan***

The company adopted the Special Incentive Plan, pursuant to which options to purchase subordinate voting shares of the company were granted to the SIP Recipients (refer to note 9).

***Related Party Investment Transactions***

*Helios Fund IV*

Helios Fund IV is related to HFP by virtue of common key personnel. On February 21, 2022, Helios Fund IV received additional limited partnership commitments thereby reducing the company's interest held and resulting in the receipt of an equalization capital adjustment of $4,614 to the company on March 9, 2022. The exchange amount of the transaction represented fair value (refer to notes 5 and 6).

*TopCo LP Management Team Commitment*

On December 14, 2021, TopCo LP's limited partnership agreement was amended to commit HFP to contributing to the Management Team Commitment. TopCo LP is a related party of HFP by virtue of common key management personnel and is an associate of the company. On December 14, 2021, TopCo LP issued a capital call for $4,718 to HFP as the TopCo LP Class A Limited Partnership Interest holder to fund 50.0% of the Management Team Commitment and HFP recognized a $4,718 increase in the investment in TopCo LP Class A Limited Partnership Interest and a corresponding increase in payable to related parties. The exchange amount of the transaction represented fair value on initial recognition (refer to notes 5 and 6). On February 21, 2022, Helios Fund IV received additional limited partnership commitments, thereby reducing the company's commitment with respect to Management Team Commitments for Fund IV and resulting in an equalization capital adjustment of $652 to the company. The exchange amount of the transaction represented fair value (refer to notes 5 and 6).

## 14. Other Assets

Other assets at March 31, 2022 and December 31, 2021 were comprised as follows:

| | **March 31, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Provision** | **Net** | Gross | Provision | Net |
| Receivable from Atlas Mara | **2,068** | **880** | **1,188** | 2,068 | 880 | 1,188 |
| Sales tax refundable | **2,504** | **2,446** | **58** | 2,497 | 2,446 | 51 |
| Other | **107** | | **107** | 151 | — | 151 |
| | **4,679** | **3,326** | **1,353** | 4,716 | 3,326 | 1,390 |

Loss on uncollectible accounts receivable in the first quarter of 2021 was comprised as follows:

| | **First quarter** | | |
|---|---|---|---|
| | 2021 | | |
| | Unrealized loss on uncollectible accounts receivable | Realized loss on uncollectible accounts receivable | Total loss on uncollectible accounts receivable |
| Receivable from Atlas Mara | 3,257 | — | 3,257 |
| Sales tax refundable | 2,446 | — | 2,446 |
| | 5,703 | — | 5,703 |

***Receivable from Atlas Mara***

At March 31, 2022 the receivable from Atlas Mara relates to the guarantee provided by the company to TLG Credit Opportunities Fund ("TLG Capital") on Atlas Mara's facility with TLG Capital (the "TLG Facility").

On January 8, 2021, Atlas Mara defaulted on the TLG Facility and TLG Capital enforced under the guarantee with the company. On January 19, 2021, the company paid $8,474 in principal, interest, and fees to TLG Capital in settlement of the guarantee. Also on January 19, 2021, the company enforced the security, which provided the company with certain rights, including the right to transfer and sell the underlying Atlas Mara Botswana shares, which had a fair value of $11,044 on the date of enforcement. The company recorded a receivable of $8,474 given its right to receive Atlas Mara Botswana shares with a fair value in excess of the amount paid to TLG.

In October 2021, Atlas Mara completed the sale of its equity interest in Atlas Mara Botswana to Access Bank. A portion of the Atlas Mara Botswana shares were pledged as security for the Atlas Mara Facility and were subsequently released by the company in connection with the aforementioned sale. On October 14, 2021, upon Atlas Mara receiving the upfront portion of proceeds from the sale, the company received partial repayment on the TLG Facility Guarantee of $3,660. Pursuant to the Atlas Mara SOA, the company expects further repayments on the TLG Facility Guarantee as Atlas Mara receives the remaining two tranches of proceeds from the sale.

At March 31, 2022, the company estimated the recoverable amount on its receivable from Atlas Mara to be $1,188 based on amounts received and expected to be received from the sale of Atlas Mara Botswana to Access Bank, pursuant to the terms of the Atlas Mara SOA.

In the first quarter of 2022, the company recorded a loss of $nil (2021 - $3,257) in loss on uncollectible accounts receivable within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the receivable from Atlas Mara.

***Sales Tax Refundable***

In the first quarter of 2021 the company determined that sales tax refundable in Canada is uncollectible and in the first quarter of 2021 the company recorded a loss of $2,446 in loss on uncollectible accounts receivable within the consolidated statements of earnings (loss) and comprehensive income (loss).

## 15. General and Administration Expenses

General and administration expenses for the three months ended March 31 were comprised as follows:

| | **First quarter** | |
|---|---|---|
| | **2022** | 2021 |
| Audit, legal, tax and professional fees | **1,119** | 517 |
| Administrative expenses | **434** | 70 |
| Management service fees (note 13) | **382** | 419 |
| Salaries and employee benefit expenses | **1,341** | 1,224 |
| Brokerage fees | **9** | 9 |
| | **3,285** | 2,239 |

## 16. Supplementary Cash Flow Information

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

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Cash and balances with banks | **36,544** | 35,511 |
| U.S. treasuries | **45,854** | 40,773 |
| | **82,398** | 76,284 |

Details of certain cash flows included within the consolidated statements of cash flows for the three months ended March 31 were as follows:

| | **First quarter** | |
|---|---|---|
| | **2022** | 2021 |
| **Purchases of investments** | | |
| Limited partnership investments | **—** | (13,116) |
| | **—** | (13,116) |
| **Receipt of equalization capital adjustment** | | |
| Limited partnership investments | **4,614** | — |
| | **4,614** | — |
| **Interest received (paid)** | | |
| Interest received | **123** | 27 |
| Interest paid on borrowings | **(740)** | — |
| | **(617)** | 27 |
| **Dividends received** | **261** | 148 |
| **Income taxes paid** | **—** | (1,662) |

## 17. Reclassification of Comparative Amounts

During the quarter ended March 31, 2022, the company changed its accounting policy related to the presentation of certain assets within the consolidated balance sheets. The prior presentation of Portfolio Investments within the consolidated balance sheets was changed to split the aforementioned asset into Portfolio Investments and Related party derivatives and guarantees. The adjustment in presentation was made to better reflect the characteristics of the assets presented in the consolidated balance sheets. For the comparative quarter ended December 31, 2021, the following assets within the consolidated balance sheets were adjusted as follows:

a. Related party derivatives and guarantees in the amount of $47,952 were reclassified out of Portfolio Investments and into a separate line item within the consolidated balance sheet, for a total amount of $47,952 presented under Related party derivatives and guarantees and a total amount of $539,546 presented under Portfolio Investments.

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