HELIOS FAIRFAX PARTNERS

1

INTERIM REPORT

For the three months ended March 31, 2023

Index to Management's Discussion and Analysis

Management's Discussion and Analysis
(as of May 10, 2023)
(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, 2023 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, 2022 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 Loan, Derivatives and Guarantees) to the interim consolidated financial statements for the three months ended March 31, 2023.

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 conflict in Ukraine; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; concentration risk in Portfolio Investments, including with geographic concentration and with respect to Class A and Class B limited partnership interests in the Portfolio Advisor; 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; climate change, natural disaster, and weather risks; 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, 2023 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.

The company makes 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").

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. TopCo LP is also the investment vehicle through which HFP receives cash flows from its entitlement to certain Helios fee streams, including excess management fees and carried interest.

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, 2023, the company determined that it was in compliance with the Investment Concentration Restriction.

Overview of African Operating Environment

The company believes long-term demographic and economic shifts in Africa will offer attractive and unique investment opportunities on which we intend to capitalize. The demographic and technology tailwinds that make Africa an attractive investment locale remain intact. The continent benefits from a young and growing population. According to the UN, the median age in Africa is 19 years old, compared to 38 in North America and 42 in Europe. In addition, over the next 30 years, almost 70% of the growth in the total global workforce is expected to come from Africa. With populations in the developed and much of the developing world aging rapidly, the youthfulness and growth of Africa's population makes the continent critical to sustaining the global labour force. A critical mass of young, urban and digitally-savvy Africans are catalyzing a powerful innovation ecosystem. In 2021, 83% of the population in Sub-Saharan Africa had access to broadband coverage, up from 50% in 2014, and the number of innovation and technology hubs in Africa grew from 70 in 2012 to 1,031 in 2021. This young, digitally connected workforce is increasingly urbanized. It is projected that urban populations in Africa will increase 174% from 2020 to 2050 compared to 27% in North America and 8% in Europe.

Looking at the macroeconomic environment, African economies remain resilient despite the deteriorating global economic conditions. According to the IMF, sub-Saharan African economies are projected to grow at an average of 2.8% in 2023, a slowdown of 1.9% since 2021. GDP growth in the US and Europe is forecasted to slow down significantly by 4.3% and 4.7%, respectively, over the same period.

Current levels of inflation are high in Africa and the developed world. Looking at pre-pandemic trends in the decade up to the end of 2019, inflation in Africa was on average 8.2%, meaning that African economies are used to operating in a higher inflationary environment. It is now forecasted to be 18.0% in 2023, a 120% increase. In contrast, in the US and Europe, inflation averaged 1.5% and is projected to increase to 4.9%, equivalent to a 227% increase.

In response to rising inflation, central banks across the globe have hiked their interest rates. In the US and Europe, policy rates average 3.9% compared to 0.6% in the years before the pandemic, representing an increase of 550%. Meanwhile in Africa, interest rates average 13.6% and remain close to the 10% historical average.

Business Developments

Capital Transactions

On March 3, 2022, the company closed 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 and was undrawn at March 31, 2023. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2023 for additional details.

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 Holdings Proprietary Limited (“AFGRI Holdings”), the parent company of 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 AFGRI Holdings 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 can perform with respect to the financial statements of AFGRI Holdings.

The company’s investments in TopCo LP and AFGRI Holdings 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:

	Initial Year of Acquisition	December 31, 2022	Capital Deployed	Realization, Distribution and Return of Capital	Change in Fair Value	March 31, 2023
Investment in Alternative Asset Management						
TopCo LP Class A Limited Partnership Interest	2020	76,823	211	(363)	2,919	79,590
TopCo LP Class B Limited Partnership Interest	2020	148,575	—	(434)	5,485	153,626
Total		225,398	211	(797)	8,404	233,216
Helios Managed Investments						
Helios Fund IV Limited Partnership Interest	2021	33,785	1,408	—	1,484	36,677
Trone Common Shares	2021	17,506	—	—	140	17,646
NBA Africa Common Shares	2021	39,219	—	—	54	39,273
Event Horizon Entertainment Loan	2022	9,473	—	—	261	9,734
Digital Ventures Facility	2022	14,956	—	—	299	15,255
Obashe Trust Facility	2022	371	—	—	6	377
Total		115,310	1,408	—	2,244	118,962
Insured and Guaranteed Legacy Non-Core Investments						
Indirect Equity Interest in AGH	2017	17,456	—	—	24	17,480
Philafrica Common Shares	2018	4,408	—	—	25	4,433
Philafrica Facility	2020	7,346	—	—	83	7,429
HFP Redemption Derivative	2021	62,136	—	—	484	62,620
Total		91,346	—	—	616	91,962
Other Legacy Non-Core Investments						
Indirect Equity Interest in Access Bank SA	2018	672	—	—	(29)	643
Indirect Equity Interest in Nova Pioneer	2021	25,468	—	—	(201)	25,267
AFGRI International Facility	2021	11,669	—	(11,824)	155	—
CIG Loan	2018	17,632	—	(16,391)	(1,241)	—
Atlas Mara 11% Convertible Bonds	2018	—	—	—	—	—
Total		55,441	—	(28,215)	(1,316)	25,910
Public Investments						
Common Shares	2020	16,595	—	—	(790)	15,805
Total		16,595	—	—	(790)	15,805
Total Portfolio Investments and Related Party Derivatives and Guarantees		504,090	1,619	(29,012)	9,158	485,855

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.

Investment in Alternative Asset Management

TopCo LP

TopCo LP, an affiliate of 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.

The investment in TopCo is HFP's long-term value driver and has generated $797 in distributions reflecting excess management fees and carried interest in 2023.

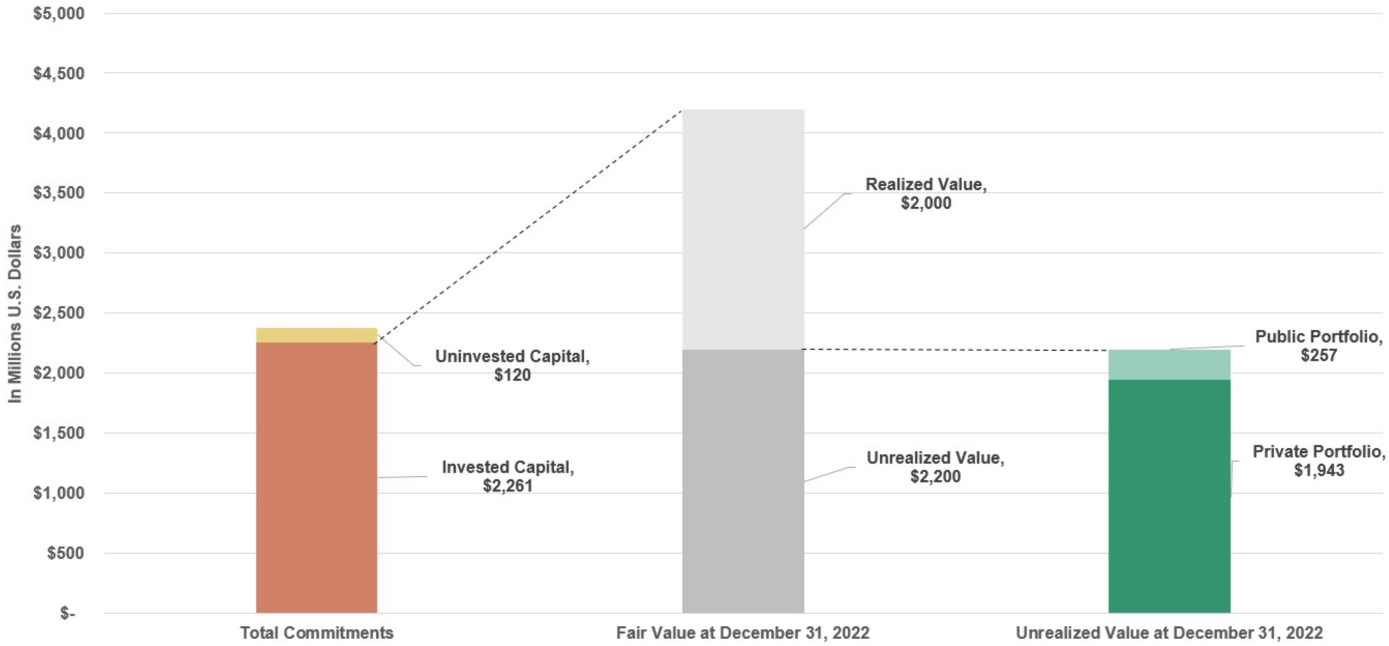
Business Overview

TopCo LP is the investment vehicle through which HFP receives cash flows from its entitlement to certain Helios fee streams, including excess management fees and carried interest. 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, for which it receives investment advisory fees.

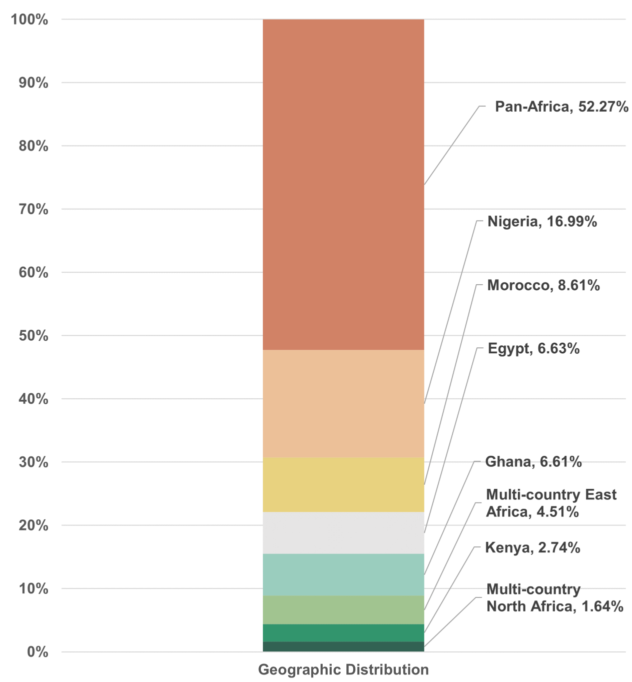
The Helios fee streams to which TopCo LP is entitled currently derive principally from three private equity funds managed by Helios. Each fund was formed with the purpose of investing in African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa. In each, the general partner receives a 20% carried interest above an 8% hurdle and a management fee which varies with time and other factors.

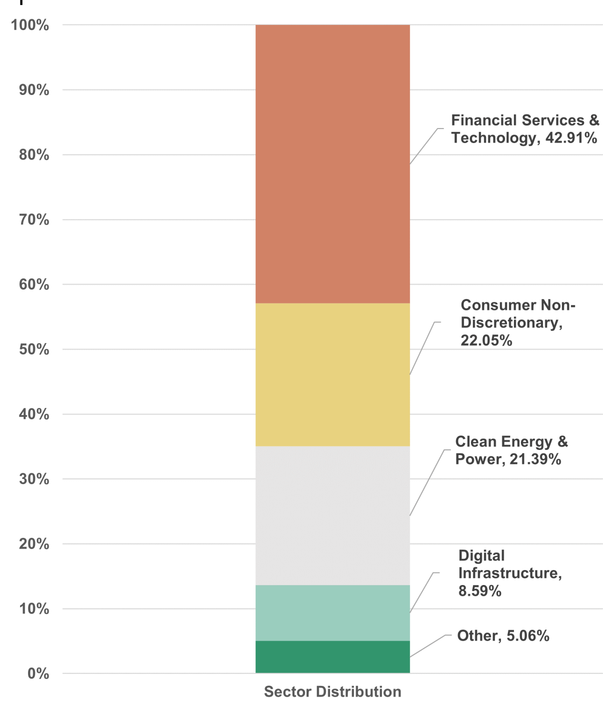
Helios Fund II, in which TopCo LP is entitled to a 25% share of the general partner's carried interest, is a private equity fund domiciled in the Cayman Islands that was formed in 2009 with $908,500 in committed capital; Helios Fund III (25% carried interest entitlement) is a private equity fund domiciled in the Cayman Islands that was formed in 2014 with $1,117,000 in committed capital; and Helios Fund IV (50% carried interest entitlement) is a private equity fund domiciled in the Cayman Islands that was formed in 2020 with $355,000 in committed capital.

As at December 31, 2022 the status and composition of the Funds was as follows:



As at December 31, 2022 the composition of the Funds' unrealized portfolio was as follows:





During 2022 the companies in which the Funds have invested experienced growth in revenue of 36%, growth in profits of 28% and a small decrease in fair value of 6%. Despite the strong growth in revenues and profits, the fair value of the investee companies decreased as a result of increases in discount rates and declines in the values of market comparable metrics.

As at March 31, 2023, the five largest investments in the Helios Funds by unrealized value, were: (i) a private company providing cross border payment and foreign exchange services across Africa; (ii) a private company operating in the gas distribution sector principally in Nigeria; (iii) a private company offering electronic payment processing services in Nigeria; (iv) a private company distributing agricultural inputs across Africa; and (v) a private company operating a liquefied natural gas terminal in Ghana.

Summarized below is selected information from the Helios Funds for the years ended December 31, 2022 and 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, 2022	**Year ended December 31, 2021**
Helios Investors, LP	**558**	1,189
Helios Investors II, L.P.	**2,939**	142,599
Helios Investors III, L.P.	**161,484**	190,419
Helios Investors IV, L.P.	**9,035**	6,562
Peak Co-investment LP	**51**	14,177
Unrealized carried interest	**174,067**	354,946

Unrealized carried interest decreased by $180,879 from $354,946 at December 31, 2021 to $174,067 at December 31, 2022. 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. TopCo LP's share of unrealized carried interest at December 31, 2022 of $45,777 represented a decrease of $44,600 (49.3%) from $90,377 at December 31, 2021. In 2022, Peak Co-investment LP distributed carried interest to its partners and the company received $3,608 as part of the distribution. In the first quarter of 2023, the company received total distributions of $363 representing Carried Interest from TopCo LP.

While there can be no assurance that any new strategies will be successfully launched or generate carried interest or incentive fees, the Helios fee streams to which TopCo LP is entitled will include 50% of any carried interest or similar incentive fee that may arise from such new strategies. These would include, without limitation, Helios Digital Ventures, Helios Sports and Entertainment Group, Helios Seven Rivers Fund, Helios CLEAR and Helios Energy Transition Infrastructure.

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.

TopCo LP Class A Limited Partnership Interest

HFP is entitled to receive Carried Interest Proceeds received by TopCo LP, through its 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. At March 31, 2023 and December 31, 2022, the company was not subject to any clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest.

TopCo LP is a limited partner of HIP Equity IV, L.P. ("HIP Equity IV"), which is the general partner of Helios Fund IV. HFP is committed to contribute 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 commitment is funded from capital contributed via HFP's TopCo LP Class A Limited Partnership Interest. In 2022, HFP's total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV decreased from 50% to 25% following the final close of Helios Fund IV.

In 2023, the company received total distributions of $363 representing Carried Interest from TopCo LP and made total capital contributions of $211 to Helios Fund IV through HIP Equity IV related to the Management Team Commitment. At March 31, 2023, the company's net capital contribution to TopCo LP in respect of Management Team Commitments was $3,934 and the remaining capital commitment was $3,566.

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, 2023 and December 31, 2022, HFP held all of the issued and outstanding Class A and Class B Limited Partnership Interests of TopCo LP.

At March 31, 2023, the company recognized a distribution receivable from its TopCo LP Class B Limited Partnership Interest of $434, which reflected Excess Management Fees earned during 2023. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class B Limited Partnership Interest and a receivable from related parties of $434.

Valuation and Interim Consolidated Financial Statement Impact

TopCo LP Class A Limited Partnership Interest

At March 31, 2023 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 from 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 29.5% to 33.5% (December 31, 2022 - 25.8% to 31.8%), target exit multiples of invested capital averaging 2.4x to 3.1x across Helios Funds II, III, and IV (December 31, 2022 - 2.4x to 3.0x), and forecasted exit dates ranging from 2023 to 2025 for Helios Funds II and III, and from 2024 to 2028 for Helios Fund IV (December 31, 2022 - 2023 to 2025 and 2023 to 2028). At March 31, 2023 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; and

(ii) 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 from 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, 2023:

Components of value	Vintage Year	Committed Capital	Model inputs: 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	2023-2024	2.4x	29.5%	25.0%	20,184
Helios Investors III, L.P. ("Helios Fund III")(2)	2014	1,117,000	2023-2025	2.4x	31.5%	25.0%	41,164
Helios Investors IV, L.P. ("Helios Fund IV")(3)	2020	355,000	2024-2028	3.1x	33.5%	50.0%	10,881
Fair value of Carried Interest Proceeds							72,229
Fair value of direct interest in Helios Fund IV through Management Team Commitment							7,361
Fair value of TopCo LP Class A Limited Partnership Interest							79,590

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, 2023 the underlying portfolio investments in Helios Fund II were primarily comprised of investments in: (i) a private company offering electronic payment processing services in Nigeria; (ii) a public company operating in the telecommunication infrastructure sector across Africa; and (iii) 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, 2023 the underlying portfolio investments in Helios Fund III were primarily comprised of investments in: (i) a private company providing cross border payment and foreign exchange services across Africa; (ii) a public company providing electronic payment processing services in Egypt; (iii) a private company operating in the gas distribution sector principally in Nigeria; (iv) a private company distributing agricultural inputs across Africa; (v) a private company operating a liquefied natural gas terminal in Ghana; and (vi) a private company operating in the agricultural sector 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, 2023 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 cross-border electronic payment processing services globally (including Africa); (iii) a private reinsurance company operating across Africa; (iv) a private company distributing and maintaining medical devices in Morocco; and (v) a private company developing and operating hyperscale-ready data centers in Kenya.*

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 revised exit forecasts through 2023 to 2025 with Carried Interest Proceeds expected to be realized beginning in 2024.

At March 31, 2023, the company's internal valuation model indicated that the fair value of its TopCo LP Class A Limited Partnership Interest was $79,590 (December 31, 2022 - $76,823). Fair value at March 31, 2023 reflected an increase in valuation of $2,919 and a capital contribution of $211, offset by a distribution of carried interest of $363. The increase in valuation was driven primarily by the passage of time as the Helios Funds moved closer to the exit date.

TopCo LP Class B Limited Partnership Interest

At March 31, 2023, 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 15.7%, growth in assets under management of 24.5%, probability weightings of 25.0% to 75.0% on future fundraising initiatives, a long term pre-tax profit margin of 42.0% and a long term growth rate of 4.5% (December 31, 2022 - multi-year probability-weighted free-cash flow forecasts with an assumed discount rate of 15.8%, growth in assets under management of 24.6%, a long term pre-tax profit margin of 42.2% and a long term growth rate of 4.5%). At March 31, 2023, 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 Helios Digital Ventures, Helios Sports and Entertainment Group, Helios Seven Rivers Fund, Helios CLEAR and Helios Energy Transition Infrastructure. The $1.3 billion in fee-earning committed capital in place at March 31, 2023 is expected to grow to $8.0 billion over the eight year forecasting period, implying a compound annual growth rate of 24.5%. Growth in profit margins is expected to be driven by growth in assets under management, combined with expected operating leverage. 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

Probability weightings were assigned to management fees for each future initiative. Lower probability weightings were assigned to earnings arising from fee earning capital in the following decreasing order of probability: (i) follow-on funds of current strategies; (ii) funds and permanent capital vehicles for newly launched strategies; and (iii) follow-on funds of these new strategies.

Long term pre-tax profit margins of 42.0% at March 31, 2023 (December 31, 2022 - 42.2%) were estimated by Helios' management based on probability-weighted management fee income and expected operating leverage, resulting in expected long term pre-tax profit margins that were comparable to publicly listed global private equity asset managers.

The discount rate decreased to 15.7% at March 31, 2023 from 15.8% at December 31, 2022. At March 31, 2023, the discount rate of 15.7% continued to include certain risk premiums commensurate with the risks inherent in the probability-weighted expected future cash flows.

The long term growth rate of 4.5% at March 31, 2023 (December 31, 2022 - 4.5%) was based on the expected long term sustainable growth rate of the economic environments and sectors in which the investment operates.

At March 31, 2023, the company's internal valuation model indicated that the fair value of its TopCo LP Class B Limited Partnership Interest was $153,626 (December 31, 2022 - $148,575). The increase in fair value from December 31, 2022 was driven primarily by the passage of time as TopCo moved closer to the realization of management fees from the new strategies.

TopCo LP's Summarized Financial Information

Summarized below is TopCo LP's balance sheet at December 31, 2022.

Balance Sheet
(unaudited - US$ thousands)

	December 31, 2022
Assets	
Cash	**3,725**
Equity interest in limited partnerships	**76,823**
Future net fee related earnings	**148,575**
Due from affiliates	**3,353**
Total Assets	**232,476**
Liabilities	
Due to affiliates	**5,368**
Amounts due to Class A interest holder	**76,823**
Distributions payable to Class A interest holder	**310**
Amounts due to Class B interest holder	**148,575**
Distributions payable to Class B interest holder	**1,400**
Total Liabilities	**232,476**

Summarized below is selected information from TopCo LP for the year ended December 31, 2022.

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

	Year ended December 31, 2022
Management fees	**28,869**
Expenses	**27,533**
Realized gain from future net fee related earnings (Excess Management Fees to HFP)	**1,336**

Helios Managed Investments

As at March 31, 2023, the company has deployed $96,060 into Helios Managed Investments representing $41,752 in direct or co-investments and $54,308 to accelerate investments into new strategies. Since the company's initial investments, the fair value has increased by $22,902 (23.8%) to $118,962 as a result of the strong performance of the underlying investee companies.

Co-Investments

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 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. As agreed 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.

As of March 31, 2023, Helios Fund IV is managing over $355 million of committed capital and has made investments in: (i) TTMFS Singapore, a private company that provides electronic payment processing services globally (including Africa); (ii) Africa Specialty Risks, a private reinsurance company established in 2020 and is expected to operate across Africa; (iii) BIM Stores Morocco, a private company operating in the discount grocery retail space in Morocco; (iv) Trone, a private company operating in medical devices, in vitro diagnostics and pharmaceuticals in Morocco; and (v) IXAfrica, a private company developing and operating hyperscale-ready data centers in Kenya.

At March 31, 2023, the company had funded aggregate capital calls of $26,224, representing 14.1% (December 31, 2022 - $24,815 and 14.1%) of the limited partnership interest in Helios Fund IV based on committed capital.

At March 31, 2023, the company's remaining capital commitment to Helios Fund IV was $23,776 (December 31, 2022 - $25,185), which may be called at any time by Helios Fund IV GP in accordance with the Helios Fund IV LPA.

At March 31, 2023, the company estimated the fair value of its investment in Helios Fund IV Limited Partnership Interest to be $36,677 (December 31, 2022 - $33,785). The increase in fair value from December 31, 2022 reflected a net capital contribution of $1,408 and an increase in fair value of the underlying investments, primarily in the financial services and technology sector of Helios Fund IV.

Since the company's initial investment, the fair value of Helios Fund IV has increased by $10,453 (39.9%) as a result of the strong performance of the underlying investee companies.

Trone Holdings

Trone Investment Holdings (UK) ("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 distributes and maintains medical imaging and diagnostic equipment and produces and distributes contrast pharmaceuticals for imaging.

At March 31, 2023 and December 31, 2022, 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, 2023, the company estimated the fair value of its 22.0% equity interest in Trone Holdings to be $17,646 (December 31, 2022 - $17,506). At March 31, 2023, the fair value of the investment increased slightly due mainly to currency appreciation.

Seeding Investments

The investment in NBA Africa and the loan to Event Horizon are seeding investments for Helios' sports and entertainment strategy.

NBA Africa

NBA Africa, LLC ("NBA Africa"), is 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. HFP's investment in NBA Africa is the company's first investment into the sports and entertainment sector, a strategy that was launched in 2021.

At March 31, 2023 and December 31, 2022, the company had invested $30,000 in exchange for an equity interest in NBA Africa.

At March 31, 2023, the company estimated the fair value of its investment in NBA Africa to be $39,273 (December 31, 2022 - $39,219).

Event Horizon Loan

Event Horizon Entertainment Limited, a company based in the United Kingdom, is a leading live entertainment and content company, creating and producing global events and travel experiences, with a focus on events that promote African culture. The company's investment is structured as a loan and represents a logical next step into the sports and entertainment sector.

On June 1, 2022, the company entered into a loan agreement for $9,418 (7,500 pounds sterling) (the "Event Horizon Loan"). The Event Horizon loan bears interest at a rate of 10% per annum, accrued and capitalized semi-annually, is unsecured and matured on January 31, 2023.

Effective February 1, 2023, the Event Horizon Loan agreement was amended. The maturity date was extended to November 30, 2023 and the interest rate was increased to reflect the 3-month SOFR reference rate plus a margin of 9.38%, with a floor rate of 12% and a ceiling rate of 16%. Interest will continue to be accrued and capitalized on a semi-annual basis. In addition, the loan was converted from pounds sterling to U.S. dollars and the loan facility was increased to $14,214. The additional funds have not been drawn.

At March 31, 2023, the company estimated the fair value of the Event Horizon loan to be $9,734 (December 31, 2022 - $9,473).

In the first quarter of 2023, the company recorded interest income of $324 (2022 - $nil) within the consolidated statements of loss and comprehensive loss related to the Event Horizon Loan.

Digital Ventures Facilities

Helios Digital Ventures LP ("HDV"), a limited partnership domiciled in Guernsey, is a venture capital fund with a focus on investing in early-stage technology businesses active in areas such as Technology and Technology-enabled Investments in Financial Services, Food Security, Healthcare, Human Capital and Sustainability across Africa. The company's investment is structured as a loan.

On May 30, 2022, the company entered into a loan facility agreement for $40,000 with HDV (the "Digital Ventures $40M Facility"). The Digital Ventures $40M Facility is available to fund approved investments consistent with the strategy of HDV. Concurrently, the company entered into a loan facility for $1,000 with Obashe Trust ("Obashe"), a company domiciled in the United States (the "Digital Ventures $1M Facility"). Obashe is the sole limited partner of HDV. The Digital Ventures $1M Facility is available to fund Obashe's limited partnership commitment to HDV pro rata with the investments made with funds drawn on the Digital Ventures $40M Facility. The facilities provide the company with the opportunity to include early-stage growth investments in its Portfolio Investments. In 2022, drawdowns of $14,527 were funded for the Digital Ventures $40M Facility and drawdowns of $363 were funded for the Digital Ventures $1M Facility.

The funds were used by HDV to invest in Paymob, a merchant acquirer offering a diversified product suite of payment solutions in Egypt, and Nomba, a provider of financial services including cash in/cash out, funds transfers and bill payments through digital and physical channels designed to make fintech services accessible and affordable for all Africans.

The Digital Ventures $40M Facility bears interest at a rate of 8% per annum, accrued and capitalized quarterly, is unsecured and matures on May 30, 2023. The Digital Ventures $1M Facility bears interest at a rate of 6% per annum, accrued and capitalized quarterly, is unsecured and matures on June 7, 2037.

At March 31, 2023, the company estimated the fair values of the amounts drawn on the Digital Ventures $40M Facility and the Digital Ventures $1M Facility to be $15,255 and $377 (December 31, 2022 - $14,956 and $371), respectively, including capitalized interest of $728 and $13 (December 31, 2022 - $429 and $7), respectively.

In the first quarter of 2023, the company recorded interest income of $301 and $6 (2022 - $nil and $nil) within the consolidated statements of loss and comprehensive loss related to the Digital Ventures $40M Facility and the Digital Ventures $1M Facility, respectively.

Insured and Guaranteed Legacy Non-core Investments

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.

At March 31, 2023 and December 31, 2022, the company had invested $98,876 in Joseph Investment Holdings ("Joseph Holdings") (comprised of $88,744 for 74.6% interest in common shares and 73.7% interest 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, 2022 - 46.8%) in AGH.

At March 31, 2023, the company estimated the fair value of its 46.8% indirect equity interest in AGH to be $17,480 (December 31, 2022 - $17,456).

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the consolidated financial statements for the three months ended March 31, 2023), 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.

AFGRI Holdings' 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, 2022 and March 31, 2022.

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

	South African rand		**US$**	
	December 31, 2022	**March 31, 2022**	**December 31, 2022(1)**	**March 31, 2022(1)**
Current assets	8,683,629	8,076,662	510,351	552,817
Non-current assets	2,773,637	2,799,158	163,011	191,592
Current liabilities	8,547,570	7,830,433	502,355	535,964
Non-current liabilities	1,196,219	1,338,216	70,304	91,596
Shareholders' equity	1,713,477	1,707,171	100,703	116,849

(1) The net assets of AFGRI Holdings were translated at December 31, 2022 at $1 U.S. dollar = 17.01 South African rand and at March 31, 2022 at $1 U.S. dollar = 14.61 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. The increase in inventory levels also reflects the increase in construction units with the further introduction of the John Deere construction and forestry range by the equipment business in South Africa. Non-current assets remained relatively constant. Current liabilities increased primarily reflecting an increase in trade payables originating mostly at the equipment businesses in both South Africa and Australia due to the increase in floor plan finance driven by the increase in John Deere inventories. Non-current liabilities and shareholders' equity remained relatively stable during the period.

Summarized below are AFGRI Holdings' consolidated statements of earnings for the nine months ended December 31, 2022 and 2021.

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

	South African rand		**US$**	
	Nine months ended December 31, 2022	**Nine months ended December 31, 2021**	**Nine months ended December 31, 2022[(1)]**	**Nine months ended December 31, 2021[(1)]**
Revenue from continuing operations	16,819,239	13,286,532	1,006,814	903,787
Income before taxes	242,940	256,741	14,543	17,464
Net income (loss)	38,585	76,814	2,310	5,225

(1) *Amounts for the nine months ended December 31, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 16.71 South African rand and $1 U.S. dollar = 14.70 South African rand prevailing during those periods.*

Revenues increased primarily due to strong equipment sales in both South Africa and Australia following a good agricultural year and elevated commodity prices, and increased retail revenue on the back of higher volume direct sales and higher fuel prices impacting the sales value of fuel sales, partially offset by decreased sales volume in Philafrica's businesses due to competitive pressures and volume pressure reported at AFGRI's financial services business due to the delay with the implementation of an alternative funding platform to replace the Land Bank debtor funding. Revenues also include the impact of the acquisition of Agri Implements ("AIM") in Australia effective July 17, 2021, the sale of Philafrica's snacks business effective November 1, 2022 and the decrease in Philafrica's controlling stake in its red meat rendering business to a 50% joint venture. Income before taxes remained relatively constant as improvement in overall results already mentioned were off-set by the net capital loss recognized on the sale of businesses mentioned, foreign exchange losses and higher finance costs due to the more expensive bridge facilities, the increase in the SA repo rate as well as the increase in the average working capital during the period. The decrease in net income includes the effect of not raising deferred tax assets on assessed tax losses where entities have been loss making or not trading and the tax impact of corporate actions and impairments.

Philafrica Foods Proprietary Ltd.

Philafrica Foods Proprietary Ltd. ("Philafrica") is a South African entity that owns and operates maize and wheat mills and animal feed factories.

At March 31, 2023 and December 31, 2022, 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, 2023, the company estimated the fair value of its investment in Philafrica common shares to be $4,433 (December 31, 2022 - $4,408).

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the consolidated financial statements for the three months ended March 31, 2023), Fairfax guaranteed a floor valuation of the company's investments in the Reference Investments, giving rise to the HFP Redemption Derivative described later.

Philafrica Facility

At March 31, 2023 and December 31, 2022, 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, 2023, the company estimated the fair value of the Philafrica Facility to be $7,429 (December 31, 2022 - $7,346).

In the first quarter of 2023, the company recorded interest income of $237 (2022 - $160) within the consolidated statements of loss and comprehensive 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 consolidated financial statements for the three months ended March 31, 2023), Fairfax guaranteed a floor valuation of the company's investments in the Reference Investments, giving rise to the HFP Redemption Derivative described later.

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 consolidated financial statements for the three months ended March 31, 2023) the company entered into the HFP Redemption Derivative. At maturity, 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, 2023, the fair value of the HFP Redemption Derivative was $62,620 (December 31, 2022 - $62,136). The increase in fair value from December 31, 2022 was driven primarily by the passage of time as the HFP Redemption Derivative moved closer to maturity.

Atlas Mara Facility and Atlas Mara Facility Guarantee

In 2022, the company received a repayment of $4,365 from Atlas Mara and entered into an Assignment Agreement with Fairfax, whereby the company assigned its legal and beneficial rights, title and interests in the Atlas Mara Facility to Fairfax and cancelled the Atlas Mara Facility Guarantee effective August 29, 2022 in exchange for $33,424, which was received in full on August 30, 2022. The company realized $49,114 from the Atlas Mara Facility and the Atlas Mara Facility Guarantee, generated liquidity which can be deployed in future strategies.

Other Legacy Non-core Investments

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 2 through 19. Nova Pioneer operates sixteen schools with a combined enrollment of approximately 5,653 students. Nova Pioneer is wholly-owned by Ascendant Learning Limited ("Ascendant"), its Mauritius-based parent entity.

At March 31, 2023 and December 31, 2022, the company had invested an aggregate of $38,811 for a 56.3% equity interest in Ascendant ("Indirect equity interest in Nova Pioneer").

At March 31, 2023, the company estimated the fair value of its indirect equity interest in Nova Pioneer to be $25,267 (December 31, 2022 – $25,468).

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"). On August 26, 2021 the company advanced $9,600, net of $400 in raising fees, under the AFGRI International Facility, bearing interest at a rate of 12.75% per annum, accrued and capitalized quarterly, and maturing on August 26, 2022, one year from initial funding date.

On August 24, 2022, the secured lending arrangement was amended. The maturity date was extended to August 25, 2023 and the interest rate was increased to 13.25% per annum, increasing by 50 basis points ("bps") every 3-month interest period. Interest continued to be accrued and capitalized quarterly. The AFGRI International Facility continued to be primarily secured by AFGRI International's pledge of its equity interests in its wholly-owned Australian equipment business, AFGRI Australia Proprietary Limited.

On March 8, 2023, the company received full repayment of the principal of $10,000 and accrued interest of $1,824 and derecognized the AFGRI International Facility.

In the first quarter of 2023, the company recorded interest income of $201 (2022 – $421) within the consolidated statements of loss and comprehensive loss related to the AFGRI International Facility.

CIG Loan

At March 31, 2023 and December 31, 2022, 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 September 30, 2022, CIG signed a purchase and sale agreement (the "CIG PSA") whereby CIG would sell its shares in Conlog. The sale was completed in March 2023.

In the first quarter of 2023, the company received full repayment of the principal of $16,391 (300 million South African rand) and derecognized the CIG Loan.

Bonds

At March 31, 2023 and December 31, 2022, 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 June 16, 2022 and December 31, 2022, 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 were secured by Atlas Mara's shares in the Union Bank of Nigeria ("UBN") and the Atlas Mara 11.0% Convertible Bonds are unsecured.

On June 17, 2022, the company received full repayment of the principal of $20,000 and unpaid interest of $6,202 on the Atlas Mara 7.5% Bonds.

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 11% Convertible Bonds effective December 28, 2020.

At March 31, 2023, the company estimated the fair value of the Atlas Mara 11.0% Convertible Bonds to be $nil (December 31, 2022 - $nil).

Public Portfolio Investments

The company's Public Portfolio Investments are as follows:

Common Shares

At March 31, 2023 and December 31, 2022, the company held less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange ("Other Common Shares").

At March 31, 2023, the fair value of the company's investment in Other Common Shares was $15,805 (December 31, 2022 - $16,595), determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date. The decrease in fair value from December 31, 2022 was due to a decline in share price driven by market volatility and a deterioration in the exchange rate between South African Rand and U.S. dollar.

Subsequent to March 31, 2023

Subsequent to March 31, 2023, the company transferred its investment in Other Common Shares and cash of $14,159, for a total investment of $30,000, to Helios Seven Rivers Fund Ltd. ("Seven Rivers") in exchange for a 93.7% equity interest in Seven Rivers. Seven Rivers is a private company incorporated in the Cayman Islands focusing primarily on investing in publicly traded financial instruments.

Results of Operations

HFP's consolidated statements of loss and comprehensive loss for the first quarter of 2023 are shown in the following table:

	First quarter	
Income	**2023**	2022
Interest	**2,699**	772
Dividends	**208**	489
Net gains (losses) on investments	**11,585**	(12,526)
Net foreign exchange gains (losses)	**(3,045)**	12,730
	11,447	1,465
Expenses		
Investment and advisory fees	**817**	1,055
Performance fee recovery	**—**	(938)
General and administration expenses	**3,286**	3,285
Interest expense	**892**	886
	4,995	4,288
Earnings (loss) before income taxes	**6,452**	(2,823)
Provision for (recovery of) income taxes	**(586)**	112
Net earnings (loss) and comprehensive earnings (loss)	**7,038**	(2,935)
Net earnings (loss) per share	**$ 0.07**	$ (0.03)

Total income of $11,447 in the first quarter of 2023 increased compared to total income of $1,465 in the first quarter of 2022, primarily reflecting net change in unrealized gains on investments compared to net change in unrealized losses on investments and increased interest income, partially offset by net foreign exchange losses compared to net foreign exchange gains.

Net gains (losses) on investments for the first quarter of 2023 and 2022 were comprised as follows:

	First quarter					
	2023			2022		
	Net realized gains	**Net change in unrealized gains**	**Net gains**	Net realized gains (losses)	Net change in unrealized losses	Net losses
Net gains (losses) on investments:						
Limited partnership investments	**—**	**9,888**	**9,888**	—	(5,823)	(5,823)
Common shares	**—**	**982**	**982**	—	(6,326)	(6,326)
Loans	**29**	**202**	**231**	—	(60)	(60)
Bonds	**—**	**—**	**—**	—	(28)	(28)
Related party derivatives and guarantees	**—**	**484**	**484**	—	(289)	(289)
	29	**11,556**	**11,585**	—	(12,526)	(12,526)

Net realized gains on investments of $29 in the first quarter of 2023 were comprised of realized gains on the repayment of the CIG Loan. There were no net realized gains (losses) in the first quarter of 2022.

Net change in unrealized gains on investments of $11,556 in the first quarter of 2023 was principally comprised of unrealized gains on TopCo LP Class B Limited Partnership Interest ($5,485), TopCo LP Class A Limited Partnership Interest ($2,919), and Helios Fund IV ($1,484).

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 AGH ($4,198), TopCo LP 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 foreign exchange gains (losses) for the first quarter of 2023 and 2022 were comprised as follows:

	First quarter					
	2023			2022		
	Net realized losses	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains	Net gains
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(5)**	**—**	**(5)**	—	1,055	1,055
Common shares	**—**	**(1,759)**	**(1,759)**	—	9,296	9,296
Loans	**(7,517)**	**6,219**	**(1,298)**	—	2,376	2,376
Other	**—**	**17**	**17**	—	3	3
	(7,522)	**4,477**	**(3,045)**	—	12,730	12,730

Net foreign exchange losses of $3,045 in the first quarter of 2023 were principally a result of the weakening of the South African rand relative to the U.S. dollar during the period.

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.

Total expenses of $4,995 in the first quarter of 2023 increased compared to total expenses of $4,288 in the first quarter of 2022, primarily as a result of no performance fee recovery as compared to the first quarter of 2022. General and administrative expenses include costs attributable to the company's investment activities of $84 (2022 – $126). The expenses attributable to investment activities include legal and other professional services required to complete the investment process. As these costs relate directly to the company's investment activities, they are not considered by management to be general and administrative expenses required for the day-to-day operations of the company.

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 2023, investment and advisory fees recorded within the consolidated statements of loss and comprehensive loss were $817 (2022 - $1,055).

At March 31, 2023 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2022 - $nil) as the Adjusted Book Value per Share of $2.90 (December 31, 2022 - $2.91) (before factoring in the impact of the performance fee) was less than the hurdle per share at the respective date of $3.31. In the first quarter of 2023, a performance fee of $nil (2022 - performance fee recovery of $938) was recorded within the consolidated statements of loss and comprehensive loss.

In the first quarter of 2023, interest expense of $892 (2022 - $886) related to the HFP 3.0% Debentures.

The recovery for income taxes of $586 in the first quarter of 2023 differed from the provision of income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily as a result of changes in non-taxable portion of unrealized gains and losses on investments and unrecorded tax benefit of losses and temporary differences, partially offset by the tax rate differential on losses incurred outside of Canada and foreign exchange effects.

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, offset by the tax rate differential on losses incurred outside of Canada and foreign exchange effects.

The company reported net earnings of $7,038 (net earnings of $0.07 per basic share and $0.06 per diluted share) in the first quarter of 2023 compared to a net loss of $2,935 (a net loss of $0.03 per basic and diluted share) in the first quarter of 2022. The change from net loss to net earnings primarily reflected net change in unrealized gains on investments compared to net change in unrealized losses on investments and increased interest income, partially offset by net foreign exchange losses versus net foreign exchange gains, and no performance fee recovery as was recorded in the first quarter of 2022.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at March 31, 2023 were primarily impacted by changes to the Portfolio Investments, including the repayment of the CIG Loan and the AFGRI International Facility and a capital contribution to Helios Fund IV.

	March 31, 2023	**December 31, 2022**
Assets		
Cash and cash equivalents	**149,055**	125,241
Related party loan	**19,294**	19,030
Related party derivatives and guarantees	**62,620**	62,136
Portfolio Investments	**423,235**	441,954
Total cash and investments	**654,204**	648,361
Interest receivable	**649**	405
Income tax refundable	**3,844**	1,695
Receivable from related parties	**1,766**	1,319
Other assets	**1,023**	832
Total assets	**661,486**	652,612
Liabilities		
Accounts payable and accrued liabilities	**984**	218
Payable to related parties	**1,620**	803
Deferred income taxes	**8,017**	8,058
Borrowings	**99,378**	99,226
Total liabilities	**109,999**	108,305
Equity		
Common shareholders' equity	**551,487**	544,307
	661,486	652,612

Total Assets

Total assets at March 31, 2023 of $661,486 increased compared to total assets of $652,612 at December 31, 2022. The increase was principally comprised of the following:

Total cash and investments increased to $654,204 at March 31, 2023 from $648,361 at December 31, 2022.

Cash and cash equivalents increased to $149,055 at March 31, 2023 from $125,241 at December 31, 2022, primarily as a result of the receipt of full repayment of the CIG Loan and the AFGRI International Facility, partially offset by the funding of a capital contribution for Helios Fund IV and operating expenses.

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.

Total Liabilities

Total liabilities at March 31, 2023 of $109,999 increased compared to $108,305 at December 31, 2022. The increase was principally comprised of the following:

Payable to related parties increased to $1,620 at March 31, 2023 from $803 at December 31, 2022, primarily as a result of the investment and advisory fees of $817 for the quarter ended March 31, 2023. 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, 2023 compared to those identified at December 31, 2022 and disclosed in the company's 2022 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, 2023.

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, 2023.

Book Value per Share

Common shareholders' equity at March 31, 2023 was $551,487 (December 31, 2022 - $544,307). The company's book value per share at March 31, 2023 was $5.09 compared to $5.03 at December 31, 2022, representing an increase in 2023 of 1.2%, primarily due to net earnings of $0.07 at March 31, 2023.

	March 31, 2023	December 31, 2022
Common shareholders' equity	**551,487**	544,307
Number of common shares outstanding	**108,313,207**	108,193,971
Book value per share	**$5.09**	**$5.03**

Liquidity

Cash and cash equivalents, other receivables from related parties, the RMB facility (refer to note 7) and publicly traded investments at March 31, 2023 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 Seven Rivers Fund, Helios Digital Ventures LP, Helios Fund IV, the Event Horizon Loan, 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 settlement of the HFP 3.0% Debentures, net of the fair value of the HFP Redemption Derivative.

At March 31, 2023 and December 31, 2022, the company determined that a performance fee of $nil should be accrued to TopCo LP. 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 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, 2023 and December 31, 2022, 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 2023 (with comparisons to the first three months of 2022 except as otherwise noted) of major components of cash flow are presented in the following table:

	First three months	
	2023	2022
Operating activities		
Cash provided by (used in) operating activities, excluding net disposals of investments, receipt of equalization capital adjustments, and receipt of carried interest	**(3,104)**	668
Net disposals of investments	**26,596**	—
Receipt of equalization capital adjustments	**—**	4,614
Receipt of carried interest	**310**	—
Financing activities		
Purchases of subordinate voting shares for cancellation	**—**	(223)
Increase in cash and cash equivalents during the period	**23,802**	5,059

Cash used in operating activities, excluding net disposals of investments and receipt of carried interest of $3,104 in the first three months of 2023 decreased from cash provided by operating activities excluding net disposals of investments and receipt of equalization capital adjustment of $668 in the first three months of 2022 primarily due to the net settlement of related party receivables and payables in 2022.

Net disposals of investments of $26,596 were comprised of disposals of investments of $28,215 related to the full repayment of the CIG Loan and the AFGRI International Facility, offset by purchases of investments of $1,619 related to the company's investments in Helios Fund IV and TopCo LP Class A Limited Partnership Interest. There were no purchases or disposals of investments in the first three months of 2022.

Receipt of equalization capital adjustments of $4,614 in the first three months of 2022 related to receipt of equalization adjustments from Helios Fund IV. There was no receipt of equalization capital adjustments in the first three months of 2023.

Receipt of carried interest of $310 in the first three months of 2023 related to receipt of carried interest from TopCo LP Class A Limited Partnership Interest. There was no receipt of carried interest in the first three months of 2022.

Purchases of subordinate voting shares 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 in the period. There was no share purchase activity during the first three months of 2023.

Contractual Obligations

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

	March 31, 2023	
	Total	**Less than 1 year**
HFP 3.0% Debenture - Interest	**750**	**750**
HFP 3.0% Debenture - Principal repayment (1)	**100,000**	**100,000**
Digital Ventures $40M Facility	**25,473**	**25,473**
Digital Ventures $1M Facility	**637**	**637**
Helios Fund IV Commitment	**23,776**	**23,776**
TopCo LP Management Team Commitment	**3,566**	**3,566**
Event Horizon Loan	**4,944**	**4,944**
Helios Seven Rivers Fund	**30,000**	**30,000**
Due to related parties	**1,620**	**1,620**
Accounts payable and accrued liabilities	**984**	**984**
	191,750	**191,750**

(1) At maturity, 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. Fairfax did not exercise its option to redeem the HFP 3.0% Debenture on March 31 2022, the first anniversary or March 31, 2023, the second anniversary. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2023.

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, 2023), 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 2023, investment and advisory fees recorded within the consolidated statements of loss and comprehensive loss were $817 (2022 - $1,055).

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, 2023 and December 31, 2022, the company determined that a performance fee of $nil should be accrued to TopCo LP as the Adjusted Book Value per Share of $2.90 (December 31, 2022 - $2.91) (before factoring in the impact of the performance fee) at March 31, 2023 was less than the hurdle per share at the respective date of $3.31. Refer to note 13 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2023 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, 2023	December 31, 2022
Asset management[2]	**233,216**	225,398
Food and agriculture	**29,342**	40,879
Financial services [1]	**28,323**	26,510
Education	**25,267**	25,468
Entertainment	**49,007**	48,692
Infrastructure	**—**	17,632
Retail and distribution [1]	**33,868**	33,685
Insurance [1]	**8,407**	7,095
Other	**15,805**	16,595
	423,235	441,954

(1) Helios Fund IV has been allocated to industry sectors based on underlying investment holdings.
(2) The returns of TopCo LP Class A Limited Partnership Interest and TopCo LP Class B Limited Partnership Interest are tied to the performance of Helios Holdings Group.

During the first three months of 2023, the company's exposure to concentration risk by sector through its Portfolio Investments changed as follows:

- Asset management sector increased primarily due to unrealized gains on TopCo LP Class A and Class B Limited Partnership Interests.
- Food and agriculture sector decreased primarily due to the repayment of the AFGRI International Facility.
- Financial services sector increased primarily due to an unrealized gain on Helios Fund IV and capitalized interest on the Digital Venture Facilities.
- Infrastructure sector decreased primarily due to the repayment of the CIG Loan.
- Insurance sector increased primarily due to the funding of a capital call to Helios Fund IV during the quarter.

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, 2023.

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. 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.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of March 31, 2023. 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 effective as of March 31, 2023.

As previously reported, in its MD&A for the year ended December 31, 2021, the company's management assessed that a material weakness had been identified as 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; and (iii) assess the reasonability of valuation model inputs and assumptions.

To address the previously reported material weakness related to the level 3 valuation process, the company's management designed and implemented the following remedial measures throughout fiscal 2022: (i) hired additional finance personnel with the requisite training, skills and experience appropriate to perform and review the company's valuations; (ii) enhanced the review process and communication between HFP and the Helios teams; and (iii) engaged external valuation specialists to assist in the formulation and review of existing and future valuation models.

During the first quarter of fiscal 2023 and prior to the filing of the consolidated interim financial statements for the three-month period ending March 31, 2023, the company's management completed their remediation and testing of the newly designed controls. In light of the foregoing remediation activities and testing of controls, the company's management determined that our internal control over financial reporting was effective as of March 31, 2023.

Except for the changes in connection with the implementation of the remediation plan discussed above, there were no changes in the company's internal control over financial reporting during the year ended December 31, 2022 and the three-month period ending March 31, 2023 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**March 31, 2023**	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Income (loss)	**11,447**	28,237	(21,551)	(30,207)	1,465	2,208	(8,788)	2,502
Expenses	**4,995**	7,217	4,373	5,042	4,288	5,581	2,353	5,947
Provision for (recovery of) income taxes	**(586)**	3,476	3,047	1,166	112	(2,127)	2,441	(3,500)
Net earnings (loss)	**7,038**	17,544	(28,971)	(36,415)	(2,935)	(1,246)	(13,582)	55
Net earnings (loss) per share	**$ 0.07**	$ 0.16	$ (0.27)	$ (0.34)	$ (0.03)	$ (0.01)	$ (0.12)	$ —
Net earnings (loss) per diluted share	**$ 0.06**	$ 0.16	$ (0.27)	$ (0.34)	$ (0.03)	$ (0.01)	$ (0.12)	$ —

Income (loss) is primarily comprised of net gains (losses) on investments, net foreign exchange gains (losses), interest income, and dividend income. Net earnings in the first quarter of 2023 was primarily due to the net change in unrealized gains on investments and net realized gains on investments, the timing of which are not predictable, and interest and dividends, partially offset by net change in unrealized foreign exchange losses, the timing of which is not predictable, investment and advisory fees, general and administration expenses and interest expense.

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, 2023.

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 Loan, Derivatives and Guarantees) within the interim consolidated financial statements for the three months ended March 31, 2023. 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 disposals of investments, receipt of equalization capital adjustments, and receipt of carried interest - 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, receipt of equalization adjustments, receipt of Excess Management Fees, and return of capital.

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.

Unrealized carried interest – provides a measure of the amount of carried interest that would be allocatable to TopCo LP if all the portfolio investments in the respective Helios Funds were to be exited at their fair values at the reporting date.

Consolidated Balance Sheets
as at March 31, 2023 and December 31, 2022
(unaudited - US$ thousands)

	Notes	March 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	6, 17	**149,055**	125,241
Portfolio Investments	5, 6, 13	**423,235**	441,954
Related party derivatives and guarantees	5, 6, 13	**62,620**	62,136
Related party loan	6, 13	**19,294**	19,030
Total cash and investments		**654,204**	**648,361**
Interest receivable		**649**	405
Income taxes refundable	11	**3,844**	1,695
Other receivable from related parties	13	**1,766**	1,319
Other assets	13, 14	**1,023**	832
Total assets		**661,486**	652,612
Liabilities			
Accounts payable and accrued liabilities		**984**	218
Payable to related parties	13	**1,620**	803
Deferred income taxes	11	**8,017**	8,058
Borrowings	7	**99,378**	99,226
Total liabilities		**109,999**	108,305
Equity			
Common shareholders' equity	8	**551,487**	544,307
		661,486	652,612

See accompanying notes.

Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)
for the three months ended March 31, 2023 and 2022
(unaudited - US$ thousands except per share amounts)

	Notes	First quarter 2023	First quarter 2022
Income			
Interest	6	**2,699**	772
Dividends	6	**208**	489
Net gains (losses) on investments	6	**11,585**	(12,526)
Net foreign exchange gains (losses)	6	**(3,045)**	12,730
		11,447	1,465
Expenses			
Investment and advisory fees	13	**817**	1,055
Performance fee recovery	13	**—**	(938)
General and administration expenses	13, 15	**3,286**	3,285
Interest expense	7	**892**	886
		4,995	4,288
Earnings (loss) before income taxes		**6,452**	(2,823)
Provision for (recovery of) income taxes	11	**(586)**	112
Net earnings (loss) and comprehensive earnings (loss)		**7,038**	(2,935)
Net earnings (loss) per share	10	**$ 0.07**	$ (0.03)
Net earnings (loss) per diluted share	8	**$ 0.06**	$ (0.03)
Shares outstanding (weighted average)	10	**108,204,570**	108,221,842

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2023 and 2022
(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, 2023	**432,963**	**439,904**	**8,375**	**5,557**	**24,515**	**(367,007)**	**544,307**
Net earnings for the period	**—**	**—**	**—**	**—**	**—**	**7,038**	**7,038**
Issuances (note 8)	**396**	**—**		**—**	**—**	**—**	**396**
Amortization of share-based payments (note 8)	**—**	**—**	**(251)**	**—**	**—**	**—**	**(251)**
Tax benefit (expense) on equity transactions (note 11)	**—**	**—**	**—**	**—**	**(3)**	**—**	**(3)**
Balance as of March 31, 2023	**433,359**	**439,904**	**8,124**	**5,557**	**24,512**	**(359,969)**	**551,487**

	Subordinate voting shares	Multiple voting shares	Share based payments, net	Warrants	Contributed surplus	Retained earnings (deficit)	Common share-holders' deficit
Balance as of January 1, 2022	432,370	439,904	5,562	5,557	24,337	(315,828)	591,902
Net loss for the period	—	—	—	—	—	(2,935)	(2,935)
Automatic share purchase plan commitment (note 8)	(127)	—	—	—	—	127	—
Purchases for cancellation (note 8)	(536)	—	—	—	—	313	(223)
Amortization of share-based payments (note 8)	—	—	31	—	—	—	31
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

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2023 and 2022
(unaudited - US$ thousands)

	Notes	First quarter 2023	First quarter 2022
Operating activities			
Net earnings (loss)		**7,038**	(2,935)
Items not affecting cash and cash equivalents:			
Net bond discount accretion		**92**	(125)
Capitalized interest on loans and bonds	5	**(986)**	(498)
Performance fee recovery	13	**—**	(938)
Deferred income taxes	11	**(41)**	737
Amortization of share-based payment awards	9	**(251)**	31
Issuance of share-based payment awards	9	**396**	—
Net realized gains on investments	6	**(29)**	—
Net change in unrealized losses (gains) on investments	6	**(11,556)**	12,526
Net foreign exchange losses (gains)	6	**3,045**	(12,730)
Purchases of investments	5, 17	**(1,619)**	—
Disposals of investments	5, 17	**28,215**	—
Receipt of equalization capital adjustments	5	**—**	4,614
Receipt of carried interest	5	**310**	—
Changes in operating assets and liabilities:			
Interest receivable		**(244)**	(259)
Accounts payable and accrued liabilities		**766**	709
Income taxes refundable		**(2,149)**	(634)
Other receivables from related parties		**40**	10,033
Payable to related parties		**817**	(5,435)
Other		**(42)**	186
Cash provided by operating activities		**23,802**	5,282
Financing activities			
Subordinate voting shares - purchases for cancellation	8	**—**	(223)
Cash used in financing activities		**—**	(223)
Increase in cash and cash equivalents		**23,802**	5,059
Cash and cash equivalents - beginning of period		**125,241**	76,284
Foreign currency translation		**12**	1,055
Cash and cash equivalents - end of period	17	**149,055**	82,398

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.

Fairfax Financial Holdings Limited (“Fairfax”) and HFP Investments Holdings SARL (“Principal Holdco”) are the company’s ultimate controlling parties. Refer to note 12 for details on voting rights and equity interest in the company.

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 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, 2023 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, 2022, 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 10, 2023.

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, 2022, 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 2023

On January 1, 2023 the company adopted the following amendments which did not have a significant impact on the company’s consolidated financial statements: *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).*

New accounting pronouncements issued but not yet effective

The IASB issued the following amendments in 2020 and 2022, respectively, which the company does not expect to adopt in advance of their effective date of January 1, 2024: *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)*. These amendments are not expected to have a significant impact on the company’s consolidated financial statements.

4. Critical Accounting Estimates and Judgments

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, 2022. The effects of the conflict in Ukraine and inflation and rising interest rates on the company are discussed in note 12.

5. Portfolio Investments and Related Party Loan, 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 2023 and 2022 were as follows:

	First quarter					
	2023					
	Balance as of January 1	Purchases / Contributions(1)	Sales / Distributions / Redemptions/ Conversions	Net gains (losses) on investments(2)	Net foreign exchange losses on investments	Balance as of March 31
Portfolio Investments:						
Public Investments:						
Common shares	16,595	—	—	(66)	(724)	15,805
Total Public Investments	16,595	—	—	(66)	(724)	15,805
Private Investments:						
Limited partnership investments:						
TopCo LP limited partnership interests	225,398	211	(797)	8,404	—	233,216
Helios Fund IV limited partnership interest	33,785	1,408	—	1,484	—	36,677
Common shares	104,729	—	—	1,048	(1,035)	104,742
Loans	61,447	894	(28,215)	(33)	(1,298)	32,795
Total Private Investments	425,359	2,513	(29,012)	10,903	(2,333)	407,430
Total Portfolio Investments	441,954	2,513	(29,012)	10,837	(3,057)	423,235

(1) Inclusive of capitalized interest and accretion of $352 on AFGRI International Facility , $237 on Philafrica Facility, $299 on Digital Ventures $40M Facility and $6 on Digital Ventures $1M Facility.

(2) Net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period, except for reversal of prior period unrealized gain upon settlement of CIG Loan ($243).

	First quarter					
	2022					
	Balance as of January 1	Purchases / Contributions[1]	Sales / Distributions / Redemptions/ Conversions	Net gains (losses) on investments[2]	Net foreign exchange losses 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	38,866	—	(4,614)	588	—	34,840
Common shares	158,614	—	—	(9,560)	8,710	157,764
Loans	42,564	574	—	(60)	2,376	45,454
Bonds	20,028	—	—	(28)	—	20,000
Total Private Investments	510,254	574	(4,614)	(15,471)	11,086	501,829
Total Portfolio Investments	539,546	574	(4,614)	(12,237)	11,672	534,941

(1) Inclusive of capitalized interest and accretion of $417 on AFGRI International Facility and $157 on Philafrica Facility.
(2) 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, 2023 and December 31, 2022, the company held less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange ("Other Common Shares").

At March 31, 2023, the fair value of the company's investment in Other Common Shares was $15,805 (December 31, 2022 - $16,595), determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Subsequent to March 31, 2023

Subsequent to March 31, 2023, the company transferred its investment in Other Common Shares and cash of $14,159, for a total investment of $30,000, to Helios Seven Rivers Fund Ltd. ("Seven Rivers") in exchange for a 93.7% equity interest in Seven Rivers. Seven Rivers is a private company incorporated in the Cayman Islands focusing primarily on investing in publicly traded financial instruments.

Private Portfolio Investments

The company's Private Portfolio Investments are as follows:

Limited Partnership Investments

TopCo LP

At March 31, 2023 and December 31, 2022, HFP held all of the issued and outstanding Class A and Class B Limited Partnership Interests of TopCo LP, a limited partnership established under the laws of Guernsey and controlled by its general partner, HFA GP (Guernsey) Limited, an affiliate of Helios Holdings Limited ("HHL").

HFP is entitled to receive Carried Interest Proceeds received by TopCo LP, through its 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. At March 31, 2023 and December 31, 2022, 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.

TopCo LP is a limited partner of HIP Equity IV, L.P. ("HIP Equity IV"), which is the general partner of Helios Fund IV. HFP is committed to contribute 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 commitment is funded from capital contributed via HFP's TopCo LP Class A Limited Partnership Interest. In 2022, HFP's total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV decreased from 50% to 25% following the final close of Helios Fund IV. At March 31, 2023, HFP's net capital contribution to TopCo LP in respect of Management Team Commitments represents an indirect equity interest of 2% in Helios Fund IV (December 31, 2022 – 2%).

In 2023, the company received total distributions of $363 representing Carried Interest from TopCo LP and made total capital contributions of $211 to Helios Fund IV through HIP Equity IV related to the Management Team Commitment. At March 31, 2023, the company's remaining capital commitment to TopCo LP with respect to the Management Team Commitment was $3,566.

On November 4, 2022, the company received a distribution from its TopCo LP Class A Limited Partnership Interest of $3,608, representing Carried Interest realized during 2022. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class A Limited Partnership Interest.

At March 31, 2023, the company recognized a distribution receivable from its TopCo LP Class B Limited Partnership Interest of $434, which reflected Excess Management Fees earned during 2023. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class B Limited Partnership Interest and a receivable from related parties of $434.

At March 31, 2023, the fair value of the company's investment in TopCo LP Limited Partnership Interests was $233,216 (December 31, 2022 - $225,398).

Helios Fund IV

On March 31, 2021, the company committed to invest $50,000 in Helios Fund IV, a limited partnership based in the Cayman Islands. As agreed 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.

In the first quarter of 2023, the company funded capital calls of $1,408. At March 31, 2023, the company had funded aggregate capital calls of $26,224, representing 14.1% (December 31, 2022 - $24,815 and 14.1%) of the limited partnership interest in Helios Fund IV based on committed capital.

At March 31, 2023, the company's remaining capital commitment to Helios Fund IV was $23,776 (December 31, 2022 - $25,185), which may be called at any time by Helios Fund IV GP in accordance with the Helios Fund IV LPA.

At March 31, 2023, the company estimated the fair value of its investment in Helios Fund IV Limited Partnership Interest to be $36,677 (December 31, 2022 - $33,785).

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").

At March 31, 2023 and December 31, 2022, the company, through its U.S. Holdco, had invested $30,000 in exchange for an equity interest in NBA Africa.
At March 31, 2023, the company estimated the fair value of its investment in NBA Africa to be $39,273 (December 31, 2022 - $39,219).

Trone Holdings

At March 31, 2023 and December 31, 2022, the company had invested $15,528 for a 22.0% equity interest in Trone Investment Holdings (UK) ("Trone Holdings"), 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"). 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, 2023, the company estimated the fair value of its 22.0% equity interest in Trone Holdings to be $17,646 (December 31, 2022 - $17,506).

Indirect equity interest in AGH

At March 31, 2023 and December 31, 2022, the company had invested $98,876 in Joseph Investment Holdings ("Joseph Holdings") (comprised of $88,744 for 74.6% interest in common shares and 73.7% interest 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, 2022 - 46.8%) in AGH.

At March 31, 2023, the company estimated the fair value of its 46.8% indirect equity interest in AGH to be $17,480 (December 31, 2022 - $17,456).

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, 2023 and December 31, 2022, 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 and animal feed factories. Philafrica is controlled by AGH through AGH's 60.0% equity interest.

At March 31, 2023, the company estimated the fair value of its investment in Philafrica common shares to be $4,433 (December 31, 2022 - $4,408).

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 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 2 through 19 and is wholly-owned by Ascendant Learning Limited ("Ascendant"), its Mauritius-based parent entity.

At March 31, 2023 and December 31, 2022, the company had invested an aggregate of $38,811 for a 56.3% equity interest in Ascendant ("Indirect equity interest in Nova Pioneer").

At March 31, 2023, the company estimated the fair value of its indirect equity interest in Nova Pioneer to be $25,267 (December 31, 2022 - $25,468).

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"). On August 26, 2021 the company advanced $9,600, net of $400 in raising fees, under the AFGRI International Facility, bearing interest at a rate of 12.75% per annum, accrued and capitalized quarterly, and maturing on August 26, 2022, one year from initial funding date.

On August 24, 2022, the secured lending arrangement was amended. The maturity date was extended to August 25, 2023 and the interest rate was increased to 13.25% per annum, increasing by 50 basis points ("bps") every 3-month interest period. Interest continued to be accrued and capitalized quarterly. The AFGRI International Facility continued to be primarily secured by AFGRI International's pledge of its equity interests in its wholly-owned Australian equipment business, AFGRI Australia Proprietary Limited.

On March 8, 2023, the company received full repayment of the principal of $10,000 and accrued interest of $1,824 and derecognized the AFGRI International Facility.

In the first quarter of 2023, the company recorded interest income of $201 (2022 – $421) within the consolidated statements of loss and comprehensive loss related to the AFGRI International Facility.

Philafrica Facility

At March 31, 2023 and December 31, 2022, 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, 2023, the company estimated the fair value of the Philafrica Facility to be $7,429 (December 31, 2022 - $7,346).

In the first quarter of 2023, the company recorded interest income of $237 (2022 - $160) within the consolidated statements of loss and comprehensive 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 the Reference Investments, giving rise to the HFP Redemption Derivative described later in this note.

CIG Loan

At March 31, 2023 and December 31, 2022, 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 September 30, 2022, CIG signed a purchase and sale agreement (the "CIG PSA") whereby CIG would sell its shares in Conlog. The sale was completed in March 2023.

In the first quarter of 2023, the company received full repayment of the principal of $16,391 (300 million South African rand) and derecognized the CIG Loan.

Atlas Mara Facility

In 2022, the company received a repayment of $4,365 from Atlas Mara and entered into an Assignment Agreement with Fairfax, whereby the company assigned its legal and beneficial rights, title and interests in the Atlas Mara Facility to Fairfax and cancelled the Atlas Mara Facility Guarantee effective August 29, 2022 in exchange for $33,424, which was received in full on August 30, 2022.

Event Horizon Loan

On June 1, 2022, the company entered into a loan agreement for $9,418 (7,500 pounds sterling) with Event Horizon Entertainment Limited, a leading live entertainment and content company based in the United Kingdom and focused on events and travel experiences that promote African culture (the "Event Horizon Loan"). The Event Horizon Loan bears interest at a rate of 10% per annum, accrued and capitalized semi-annually, is unsecured and matured on January 31, 2023.

Effective February 1, 2023, the Event Horizon Loan agreement was amended. The maturity date was extended to November 30, 2023 and the interest rate was increased to reflect the 3-month SOFR reference rate plus a margin of 9.38%, with a floor rate of 12% and a ceiling rate of 16%. Interest will continue to be accrued and capitalized on a semi-annual basis. In addition, the loan was converted from pounds sterling to U.S. dollars and the loan facility was increased to $14,214. The additional funds have not been drawn.

At March 31, 2023, the company estimated the fair value of the Event Horizon loan to be $9,734 (December 31, 2022 - $9,473).

In the first quarter of 2023, the company recorded interest income of $324 (2022 - $nil) within the consolidated statements of loss and comprehensive loss related to the Event Horizon Loan.

Subsequent to March 31, 2023

On April 6, 2023, the company funded a drawdown of $4,944 on the Event Horizon Loan.

Digital Ventures Facilities

On May 30, 2022, the company entered into a loan facility agreement for $40,000 with Helios Digital Ventures LP ("HDV"), a limited partnership domiciled in Guernsey (the "Digital Ventures $40M Facility"). HDV is a venture capital fund with a focus on investing in digital infrastructure across Africa. Concurrently, the company entered into a loan facility for $1,000 with Obashe Trust ("Obashe"), a company domiciled in the United States (the "Digital Ventures $1M Facility"). Obashe is the sole limited partner of HDV. Both facilities allow for multiple drawdowns. In 2022, drawdowns of $14,527 were funded for the Digital Ventures $40M Facility and drawdowns of $363 were funded for the Digital Ventures $1M Facility.

The Digital Ventures $40M Facility bears interest at a rate of 8% per annum, accrued and capitalized quarterly, is unsecured and matures on May 30, 2023. The Digital Ventures $1M Facility bears interest at a rate of 6% per annum, accrued and capitalized quarterly, is unsecured and matures on June 7, 2037.

At March 31, 2023, the company's remaining capital commitments to the Digital Ventures $40M Facility and the Digital Ventures $1M Facility were $25,473 and $637, respectively (December 31, 2022 - $25,473 and $637), which may be called at any time in accordance with the respective loan facility agreements.

At March 31, 2023, the company estimated the fair values of the amounts drawn on the Digital Ventures $40M Facility and the Digital Ventures $1M Facility to be $15,255 and $377 (December 31, 2022 - $14,956 and $371), respectively, including capitalized interest of $728 and $13 (December 31, 2022 - $429 and $7), respectively.

In the first quarter of 2023, the company recorded interest income of $301 and $6 (2022 - $nil and $nil) within the consolidated statements of loss and comprehensive loss related to the Digital Ventures $40M Facility and the Digital Ventures $1M Facility, respectively.

Bonds

Atlas Mara Bonds

At March 31, 2023 and December 31, 2022, 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 June 16, 2022 and December 31, 2022, 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 were secured by Atlas Mara's shares in the Union Bank of Nigeria ("UBN") and the Atlas Mara 11.0% Convertible Bonds are unsecured.

On June 17, 2022, the company received full repayment of the principal of $20,000 and unpaid interest of $6,202 on the Atlas Mara 7.5% Bonds.

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 11% Convertible Bonds effective December 28, 2020.

At March 31, 2023 and December 31, 2022, the company estimated the fair value of the Atlas Mara 11.0% Convertible Bonds to be $nil.

Related Party Loan, Derivatives and Guarantees

A summary of changes in the fair value of the company's related party loan during 2023 and 2022 were as follows:

	First quarter of 2023				
	Balance as of January 1	**Additions**	**Redemptions**	**Net gains (losses)**	**Balance as of March 31**
Related party loan:					
Fairfax Loan	**19,030**	**—**	**—**	**264**	**19,294**
Total related party loan	**19,030**	**—**	**—**	**264**	**19,294**

	First quarter of 2022				
	Balance as of January 1	**Additions**	**Redemptions**	**Net gains (losses)**	**Balance as of March 31**
Related party loan:					
Fairfax Loan	19,608	49	—	—	19,657
Total related party loan	19,608	49	—	—	19,657

Fairfax Loan

The company issued the $20,000 interest-free Fairfax Loan to Fairfax, due no later than December 8, 2023 (refer to note 13).

At March 31, 2023, the fair value of the Fairfax Loan was $19,294 (December 31, 2022 - $19,030).

A summary of changes in the fair value of the company's related party derivatives and guarantees for the first quarter of 2023 and 2022 were as follows:

	First quarter of 2023				
	Balance as of January 1	**Additions**	**Redemptions**	**Net gains (losses)**	**Balance as of March 31**
Related party derivatives and guarantees:					
HFP Redemption Derivative	**62,136**	**—**	**—**	**484**	**62,620**
Total related party derivatives and guarantees	**62,136**	**—**	**—**	**484**	**62,620**

	First quarter of 2022				
	Balance as of January 1	Additions	Redemptions	Net gains (losses)	Balance as of March 31
Related party derivatives and guarantees:					
Atlas Mara Facility Guarantee	32,046	—	—	**1,793**	33,839
HFP Redemption Derivative	15,906	—	—	**(2,082)**	13,824
Total related party derivatives and guarantees	47,952	—	—	**(289)**	47,663

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.

In 2022, the company received a repayment of $4,365 from Atlas Mara and entered into an Assignment Agreement with Fairfax, whereby the company assigned its legal and beneficial rights, title and interests in the Atlas Mara Facility to Fairfax and cancelled the Atlas Mara Facility Guarantee effective August 29, 2022 in exchange for $33,424, which was received in full on August 30, 2022.

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, 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, 2023, the fair value of the HFP Redemption Derivative was $62,620 (December 31, 2022 - $62,136).

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, 2023				December 31, 2022			
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)(1)	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	**149,055**	**—**	**—**	**149,055**	125,241	—	—	125,241
	149,055	**—**	**—**	**149,055**	125,241	—	—	125,241
Portfolio Investments:								
Limited partnership investments	**—**	**—**	**269,893**	**269,893**	—	—	259,183	259,183
Common shares	**15,805**	**—**	**104,742**	**120,547**	16,595	—	104,729	121,324
Loans	**—**	**—**	**32,795**	**32,795**	—	—	61,447	61,447
Total Portfolio Investments	**15,805**	**—**	**407,430**	**423,235**	16,595	—	425,359	441,954
Related party derivatives and guarantees	**—**	**—**	**62,620**	**62,620**	—	—	62,136	62,136
Related party loan	**—**	**—**	**19,294**	**19,294**	—	—	19,030	19,030
Total cash and investments	**164,860**	**—**	**489,344**	**654,204**	141,836	—	506,525	648,361
	25.2%	**—%**	**74.8%**	**100.0%**	21.9%	—%	78.1%	100.0%

(1) Net change in unrealized gains (losses) of $11,865 (December 31, 2022 - $(21,280)) attributable to the change in unrealized gains (losses) on assets categorized within Level 3 of the fair value hierarchy held at the end of the reporting period.

The fair values of HFP's Private Portfolio Investments and related party derivatives, guarantees and loans 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 Loan, 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 and related party derivatives, guarantees and loans. 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. The Valuation Committee consists of members who are knowledgeable and experienced in the fair value techniques for the Portfolio Investments held by the company. The Valuation Committee provides administration and oversight of the company's valuation policies and procedures and is responsible for reviewing and approving the valuation results every quarter.

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 2023 and 2022 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, 2023. 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 rising inflation, elevated oil and commodity prices, and interest rate hikes. 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 and related party derivatives and guarantees.

Investments	Valuation technique	Significant unobservable inputs[1]	Inputs at March 31, 2023	Inputs at December 31, 2022	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	29.5% to 33.5%	25.8% to 31.8%	Increases (decreases) in discount rates (decrease) increase fair value
		Target exit dates	2023-2028	2023-2028	Increases (decreases) in target exit dates (decrease) increase fair value
		Exit multiple of invested capital	2.4x to 3.1x	2.4x to 3.0x	Increases (decreases) in exit multiples increase (decrease) fair value
TopCo LP Class B Limited Partnership Interest	Discounted cash flow	Discount rate	15.7%	15.8%	Increases (decreases) in discount rates (decrease) increase fair value
		Growth in assets under management	24.5%	24.6%	Increases (decreases) in growth in assets under management increase (decrease) fair value
		Long term pre-tax profit margin	42.0%	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					
Indirect equity interest in AGH[3]	Market multiples	Multiples of EBITDA	0.0x to 7.0x	N/A	Increases (decreases) in multiples of EBITDA increase (decrease) fair value
Philafrica common shares[3]	Market multiples	Multiples of EBITDA	0.0x to 6.5x	N/A	Increases (decreases) in multiples of EBITDA increase (decrease) fair value
Trone	Market multiples	Multiples of EBITDA	9.0x	9.0x	Increases (decreases) in multiples of EBITDA increase (decrease) fair value
NBA Africa	Discounted cash flow	After-tax discount rate	15.1%	14.5%	Increases (decreases) in discount rates (decrease) increase fair value
		Terminal revenue multiple	7.0x	7.0x	Increases (decreases) in terminal revenue multiple increase (decrease) fair value
Indirect equity interest in Nova Pioneer	Discounted cash flow	After-tax discount rate	13.3%	12.4%	Increases (decreases) in discount rates (decrease) increase fair value
		Long-term growth rate	3.5%	3.6%	Increases (decreases) in growth rates increase (decrease) fair value
Derivatives					
HFP Redemption Derivative	Discounted cash flow and option pricing model	Total fair value of the Reference Investments	$29,432	$29,210	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 may 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 may 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.

(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) The investment was valued using offer price at December 31, 2022. At March 31, 2023, the valuation technique was changed from offer price to EBITDA multiples as it is more indicative of the fair value of the investment.

	March 31, 2023					
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)]
Limited partnership investments:						
TopCo LP Class A Limited Partnership Interest	$79,590	Discounted cash flow and net asset value	Discount rate	Increase/(decrease) 200 bps	(2,430) / 2,572	(2,108) / 2,232
			Target exit dates	Increase/(decrease) 1 year	(21,389) / 25,619	(18,555) / 22,225
			Exit multiple of invested capital	Increase/(decrease) 5%	7,667 / (7,806)	6,651 / (6,772)
TopCo LP Class B Limited Partnership Interest	$153,626	Discounted cash flow	Discount rate	Increase/(decrease) 150 bps	(21,994) / 29,054	(19,080) / 25,204
			Growth in assets under management	Implied CAGR of committed capital of 22.8% to 25.9%	32,292 / (32,292)	28,014 / (28,014)
			Long term pre-tax profit margin	Increase/(decrease) 100 bps	2,222 / (2,222)	1,928 / (1,928)
			Long term growth rate	Increase/(decrease) 50 bps	4,346 / (3,976)	3,771 / (3,449)
Common shares						
Indirect equity interest in AGH	$17,480	Market multiples	Multiples of EBITDA	Increase/(decrease) 4%	3,428 / (3,428)	2,974 / (2,974)
Philafrica	$4,433	Market multiples	Multiples of EBITDA	Increase/(decrease) 4%	486 / (486)	422 / (422)
Trone	$17,646	Market multiples	Multiples of EBITDA	Increase/(decrease) 0.5x	1,394 / (1,394)	1,209 / (1,209)
NBA Africa	$39,273	Discounted cash flow	After-tax discount rate	(Increase)/decrease 100 bps	(2,828) / 3,078	(2,454) / 2,671
			Terminal revenue multiple	Increase/(decrease) 0.5x	2,716 / (2,716)	2,357 / (2,357)
Indirect equity interest in Nova Pioneer	$25,267	Discounted cash flow	After-tax discount rate	(Increase)/decrease 100 bps	(5,083) / 6,323	(4,410) / 5,485
			Long-term growth rate	Increase/(decrease) 50 bps	1,458 / (1,317)	1,264 / (1,143)
Related party derivatives and guarantees:						
HFP Redemption Derivative	$62,620	Discounted cash flow and option pricing model	Total fair value of the Reference Investments	Increase/(decrease) 10%	(2,943) / 2,943	(2,553) / 2,553

(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.*

	December 31, 2022					
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)]
Limited partnership investments:						
TopCo LP Class A Limited Partnership Interest	$76,823	Discounted cash flow and net asset value	Discount rate	Increase/(decrease) 200 bps	(2,650) / 2,814	(2,299) / 2,441
			Target exit dates	Increase/(decrease) 1 year	(20,459) / 23,343	(17,748) / 20,250
			Exit multiple of invested capital	Increase/(decrease) 5%	7,587 / (8,120)	6,582 / (7,044)
TopCo LP Class B Limited Partnership Interest	$148,575	Discounted cash flow	Discount rate	Increase/(decrease) 150 bps	(21,444) / 28,302	(18,603) / 24,552
			Growth in assets under management	Implied CAGR of committed capital of 23.0% to 26.1%	31,288 / (31,288)	27,143 / (27,143)
			Long term pre-tax profit margin	Increase/(decrease) 100 bps	2,121 / (2,121)	1,840 / (1,840)
			Long term growth rate	Increase/(decrease) 50 bps	4,133 / (3,784)	3,585 / (3,282)
Common shares						
Trone	$17,506	Market multiples	Multiples of EBITDA	Increase/(decrease) 0.5x	1,360 / (1,360)	1,180 / (1,180)
NBA Africa	$39,219	Discounted cash flow	After-tax discount rate	(Increase)/decrease 100 bps	(2,965) / 3,236	(2,572) / 2,807
			Terminal revenue multiple	Increase/(decrease) 0.5x	2,757 / (2,757)	2,392 / (2,392)
Indirect equity interest in Nova Pioneer	$25,468	Discounted cash flow	After-tax discount rate	(Increase)/decrease 100 bps	(4,492) / 5,711	(3,897) / 4,954
			Long-term growth rate	Increase/(decrease) 50 bps	1,357 / (1,210)	1,177 / (1,050)
Related party derivatives and guarantees:						
HFP Redemption Derivative	$62,136	Discounted cash flow and option pricing model	Total fair value of the Reference Investments	Increase/(decrease) 10%	(2,921) / 2,921	(2,534) / 2,534

(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 from $1.3 billion at March 31, 2023 to $8.0 billion (December 31, 2022 - $1.4 billion to $8.0 billion), 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 operating leverage. Fee-related earnings on future fundraising initiatives were probability weighted, 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 certain loans and bonds classified as Level 3 at March 31, 2023. 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		Hypothetical $ change effect on fair value measurement(1)		Hypothetical $ change effect on net earnings (loss) (1)(2)	
Investments	**March 31, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**
Loans:								
Philafrica Facility(3)	100.0%	N/A	$7,429	$7,346	- / (371)	N/A	- / (322)	N/A
Bonds:								
Atlas Mara 11.0% Convertible Bonds	—%	—%	$—	$—	999 / -	999 / -	867 / -	867 / -

(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.*

(3) *The investment was valued using offer price at December 31, 2022. At March 31, 2023, the valuation technique was changed from offer price to expected recovery as it is more indicative of the fair value of the investment.*

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 the investment in limited partnership interest and common shares, and the impact of the sensitivity analysis is not significant for the investment in loans.

Investments	Valuation technique at March 31, 2023	Valuation technique at December 31, 2022	Fair value of investment at March 31, 2023
Limited partnership investments:			
Helios Fund IV limited partnership interest	Adjusted net asset value	Adjusted net asset value	$36,677
Loans:			
Event Horizon Loan	Initial transaction price	Initial transaction price	$9,734
Digital Ventures $40M Facility	Initial transaction price	Initial transaction price	$15,255
Digital Ventures $1M Facility	Initial transaction price	Initial transaction price	$377
Fairfax Loan	Discounted cash flow	Discounted cash flow	$19,294

Investment Income

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

	First quarter	
	2023	2022
Interest:		
Cash and cash equivalents	**1,610**	123
Loans	**1,089**	649
	2,699	772
Dividends: Common shares	**208**	489

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

	First quarter	
	2023	2022
	Net gains (losses)	Net gains (losses)
Net gains (losses) on investments:		
Limited partnership investments	**9,888**	(5,823)
Common shares	**982**	(6,326)
Loans	**231**	(60)
Bonds	**—**	(28)
Related party derivatives and guarantees	**484**	(289)
	11,585	(12,526)
Net foreign exchange gains (losses) on:		
Cash and cash equivalents	**(5)**	1,055
Common shares	**(1,759)**	9,296
Loans	**(1,298)**	2,376
Other	**17**	3
	(3,045)	12,730

7. Borrowings

	March 31, 2023			March 31, 2022		
	Principal	**Carrying value**	**Fair value**	Principal	Carrying value	Fair value
HFP 3.0% Debentures (host instrument) due March 31, 2024	**100,000**	**99,378**	**92,052**	100,000	98,778	88,389

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. At maturity, 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.

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.

Interest Expense

During the first quarter of 2023, the company recorded interest expense of $892 related to interest on the HFP 3.0% Debentures (2022 - $886).

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. In addition, the company will pay a standby fee of 2.41% of the unused portion of the credit facility, payable quarterly.

During the first quarter of 2023, the company had incurred $426 (2022 - $131) in standby fees, which were included in general and administrative expenses as an administrative expense.

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 $350,000, being the total equity of the Company less 75% of the fair value of the TopCo Limited Partnership Interests. At March 31, 2023, the RMB Facility was undrawn, and the company was in compliance with the covenants of the RMB Facility.

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, Principal Holdco, and certain of their respective subsidiaries and affiliates and are not publicly traded; (ii) an unlimited number of subordinate voting shares, which are publicly traded; 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, 2023 included 55,452,865 (December 31, 2022 – 55,452,865) multiple voting shares and 52,860,342 (December 31, 2022 – 52,741,106) 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, 2023 and December 31, 2022 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:

	2023	2022
Subordinate voting shares - January 1	**52,741,106**	52,806,780
Issuance of shares	**119,236**	—
Purchases for cancellation	**—**	(65,882)
Subordinate voting shares - March 31	**52,860,342**	52,740,898
Multiple voting shares - beginning and end of period	**55,452,865**	55,452,865
Common shares effectively outstanding - March 31	**108,313,207**	108,193,763

Purchase of Shares

During the period January 1, 2022 to July 7, 2022, the company was 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. On July 7, 2022, the company's normal course issuer bid expired.

There was no share purchase activity during the first three months of 2023. 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.

Automatic Share Purchase Plan

On March 29, 2022, in connection with the normal course issuer bid, the company gave instructions under its 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. 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 (refer to note 7). 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 2023 and 2022.

Capital Contributions

On March 31, 2021, Fairfax, through its affiliates, invested $100,000 in HFP 3.0% Debentures and HFP Warrants (refer to note 7). At maturity, 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, on December 8, 2020, 2,505,637 options to purchase subordinate voting shares of the company were granted to certain employees, officers, members, partners or consultants of the Manager (the “SIP Recipients”). Options issued under the SIP vested immediately on grant date and have an exercise price of $3.99 per share and maturity date of December 8, 2030. Since December 8, 2020, certain options issued under the SIP have been reallocated to additional SIP participants. These reallocated options vested immediately on grant date and mature on March 3, 2031 and September 19, 2032. 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.

The company estimated the fair value of the options granted under the SIP using a Black-Scholes option pricing model that incorporated the following range of assumptions:

Underlying share price	$2.86 - $4.09
Exercise price	$2.63 - $4.45
Expected volatility	45.8 %
Risk-free interest rate	1.3% - 5.0%
Expected life	10 years
Black-Scholes factor	1.9 - 2.7

Expected volatility was determined based on daily historical volatility of HFPC.U since initial public offering on February 17, 2017.

Long-Term Incentive Plan

On April 20, 2022, the company’s Long-Term Incentive Plan was approved at the annual and special 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 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.

On May 13, 2022, 484,265 restricted share units with a cost per unit of $3.33 were granted to certain directors and officers of the company. The cost per unit was determined based solely on the 5-day volume-weighted average price on the date of grant. The restricted share units vest according to a time-based vesting schedule over a period of three to five years. The time-based vesting schedule varies by participant. No additional grants were made in the first three months of 2023.

During the first quarter of 2023, under the terms of the LTIP, 119,236 restricted share units vested and 119,236 subordinate voting shares were issued at a cost of $396.

For the first quarter of 2023, the company recorded share-based compensation expense of $145 (2022 - $31) within the consolidated statements of loss and comprehensive loss.

10. Net Earnings (Loss) per Share

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

	First quarter	
	2023	2022
Net earnings (loss) - basic and diluted	**7,038**	(2,935)
Weighted average shares outstanding - basic	**108,204,570**	108,221,842
Weighted average shares outstanding - diluted	**108,796,497**	108,221,842
Net earnings (loss) per basic share	**$ 0.07**	$ (0.03)
Net earnings (loss) per diluted share	**$ 0.06**	$ (0.03)

At March 31, 2023 and 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, 2023 there were 250,000 potential subordinate voting shares issuable relating to the Special Incentive Plan (refer to note 9) and 341,927 potential subordinate voting shares issuable relating to the Long-Term Incentive Plan (refer to note 9). There were no potential subordinate voting shares issuable relating to the HFP Warrants (refer to note 7) because the HFP Warrants were out of the money.

At March 31, 2022 there were no potential subordinate voting shares issuable relating to the Special Incentive Plan 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 because the HFP Warrants were out of the money.

11. Income Taxes

The company's provision for income taxes for the first quarter of 2023 is summarized in the following table:

	First quarter	
	2023	2022
Current income tax:		
Current year recovery	**(541)**	(595)
	(541)	(595)
Deferred income tax:		
Origination and reversal of temporary differences	**(45)**	707
	(45)	707
Provision for (recovery of) income taxes	**(586)**	112

A 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 income taxes calculated at the Canadian statutory income tax rate to the provision for (recovery of) income taxes at the effective tax rate in the consolidated financial statements for the first quarter of 2023 are summarized in the following table:

	First quarter	
	2023	2022
Canadian statutory income tax rate	**26.5 %**	26.5 %
Provision for (recovery of) income taxes at the Canadian statutory income tax rate	**1,711**	(748)
Non-taxable losses (gains) on investments	**(1,814)**	503
Tax rate differential on earnings incurred outside of Canada	**466**	(1,629)
Unused tax losses	**—**	(52)
Change in unrecorded tax benefit of losses and temporary differences	**(1,443)**	3,029
Realized gains and foreign exchange effect	**430**	(970)
Other, including permanent differences	**64**	(21)
Provision for (recovery of) income taxes	**(586)**	112

Non-taxable gains on investments of $1,814 in the first quarter of 2023 principally reflected the non-taxable portion of unrealized gains on investments in TopCo LP and Helios Fund IV of $1,076, and the non-taxable portion of unrealized gains on other investments of $738. 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 Limited Partnership Interest of $383, and the non-taxable portion of unrealized losses on other investments of $120.

Tax rate differential on income incurred outside of Canada of $466 in the first quarter of 2022 (2022 - loss of $1,629) 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.

Unused tax losses of $nil in the first quarter of 2023 (2022 - $(52)) reflected changes in the movement and recognition of the company's net capital loss carryforward balance.

The change in unrecorded tax benefit of losses and temporary differences of $(1,443) in the first quarter of 2023 principally reflected the change in deferred tax assets and liabilities in foreign accrual capital losses of $27; investment and other temporary timing differences of $(1,094) that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS; and deferred tax liabilities in South Africa on investments of $(376).

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.

Realized gains and foreign exchange effect of $430 in the first quarter of 2023 (2022 - $(970)) principally reflected settlement of investments and 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 U.S. dollar.

Other, including permanent differences of $64 in the first quarter of 2023 (2022 - $(21)) 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, 2023 compared to those identified at December 31, 2022, except as described below.

Conflict in Ukraine

The conflict in Ukraine is ongoing with countries around the world continuing to impose economic sanctions against Russia, including restrictions on the import of Russian oil and natural gas. The conflict has also impacted global supply chains and as a result, prices for oil, food, and other commodities increased sharply and have been volatile since the conflict began. Such further developments and their impacts on the global economy could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Inflation and rising interest rates

The global impacts of the conflict in Ukraine discussed above have resulted in increasing inflation since the beginning of the conflict, particularly related to food and fuel, causing central banks in major economies to raise interest rates. Rising interest rates have the potential to impact discount rates used in the company's valuations of Private Portfolio Investments and could also impact foreign exchange risk as currencies appreciate or depreciate depending on local monetary policy responses. Such further developments could 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 fluctuations) is the risk that the fair value of 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, interest 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. In addition, the company has cash and cash equivalents in pounds sterling, Canadian dollars, and Mauritian rupees, of which the impact of fluctuations in either would be insignificant. At March 31, 2023, the company's exposure to pound sterling decreased significantly compared to its exposure at December 31, 2022 due to the conversion of the Event Horizon Loan to U.S. dollar (refer to note 5). The company's common shareholders' equity and net earnings may be significantly affected by foreign currency movements resulting from the company's South African rand-denominated investments.

At March 31, 2023 and December 31, 2022, the company's net foreign currency exposure was as follows:

	March 31, 2023	**December 31, 2022**
South Africa rand	**72,729**	74,299
Canadian dollars	**1,840**	964
Mauritian rupees	**174**	33
Pound sterling	**45**	9,582

At March 31, 2023 and December 31, 2022, had the U.S. dollar strengthened or weakened by 5% or 10% relative to the currencies to which it has significant exposure with all other variables held constant, the net increase or decrease in net earnings) would have been as follows:

	March 31, 2023		December 31, 2022	
	Sensitivity factor	Hypothetical $ change effect on net earnings (loss)(1)	Sensitivity factor	Hypothetical $ change effect on net earnings (loss)(1)
South Africa rand	Increase / (decrease) 5.0%	2,672 / (2,672)	Increase / (decrease) 5.0%	2,731 / (2,731)
	Increase / (decrease) 10.0%	5,346 / (5,346)	Increase / (decrease) 10.0%	5,461 / (5,461)
Pound sterling	Increase / (decrease) 5.0%	1 / (1)	Increase / (decrease) 5.0%	352 / (352)
	Increase / (decrease) 10.0%	4 / (4)	Increase / (decrease) 10.0%	704 / (704)

(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.

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, 2023 the company held fixed income investments with a fair value of $52,089 (December 31, 2022 - $80,477). These investments are exposed to interest rate risk due to changes in market interest rates. The company has determined the impact of interest rate changes is not significant for these fixed income investments due to the short-term nature of the investments. Refer to note 6.

Market Price Fluctuations

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

The company holds significant equity and limited partnership investments and a related party derivative and guarantee 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 hypothetical impact of a 10.0% increase or decrease in the fair value of the company's investments classified as Level 1 in the fair value hierarchy at March 31, 2023, with all other variables held constant, would have resulted in a corresponding net increase or decrease in net earnings (loss) of $1,162 (December 31, 2022 - $1,220). Refer to note 6 for the hypothetical 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, 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, 2023 the company's cash and cash equivalents of $149,055 (December 31, 2022 - $125,241) were comprised of $112,145 (December 31, 2022 - $104,910) at the holding company (principally in major Canadian financial institutions) and $36,910 (December 31, 2022 - $20,331) at the company's wholly-owned subsidiaries (principally in major South African and Mauritian financial institutions).

Other Receivables 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, 2023 and December 31, 2022, the company's other receivables from related parties of $1,766 and $1,319, respectively, were comprised of receivables from TopCo LP (refer to note 13).

Other Assets

At March 31, 2023, the company's other assets of $1,023 (December 31, 2022 - $832) 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, 2023, the company estimated the recoverable amount on its receivable from Atlas Mara to be $587 (December 31, 2022 - $587) based on amounts received and expected to be received from the UBN sale. 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. Where appropriate, credit risk has been factored into the determination of fair value.

At March 31, 2023, the company had debt instruments with a fair value of $52,089 (December 31, 2022 - $80,477) that were subject to credit risk, representing 8.0% (December 31, 2022 - 12.4%) of the total cash and investments.

The company's exposure to credit risk from its investments in fixed income securities decreased to $44,660 at March 31, 2023 from $73,131 at December 31, 2022 primarily as a result of full repayment of the CIG Loan and the AFGRI International Facility. The HFP Redemption Derivative limits the company's exposure to credit risk on its investments in the Philafrica Facility (refer to note 5). Investments in fixed income securities include the related party loan receivable from Fairfax (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, 2023		December 31, 2022	
	Cost [1]	Fair value	Cost [1]	Fair value
Loans:				
Due in 1 year or less [2]	**52,578**	**51,712**	86,893	80,106
Due after 5 years	**377**	**377**	371	371
	52,955	**52,089**	87,264	80,477
Bonds:				
Due in 1 year or less [2]	**20,073**	**—**	20,073	—
	20,073	**—**	20,073	—

(1) Cost is comprised of fair value on initial recognition and capitalized interest.
(2) At March 31, 2023 and December 31, 2022, includes instruments for which the contractual maturity has passed but have not yet been repaid.

At March 31, 2023, loans with fair values of $7,429 and bonds with fair values of $nil (December 31, 2022 - $36,647 and $nil) contained call features. At March 31, 2023 and December 31, 2022, 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 and access to a loan facility 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, other receivables from related parties, the RMB facility (refer to note 7) and publicly traded investments at March 31, 2023 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 Seven Rivers Fund, Helios Digital Ventures LP, Helios Fund IV, the Event Horizon Loan, 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 settlement of the HFP 3.0% Debentures, net of the fair value of the HFP Redemption Derivative.

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

	March 31, 2023		December 31, 2022	
	Total	Less than 1 year	Total	Less than 1 year
HFP 3.0% Debenture - Principal repayment[1]	**100,000**	**100,000**	100,000	100,000
HFP 3.0% Debenture - Interest	**750**	**750**	750	750
Digital Ventures $40M Facility	**25,473**	**25,473**	25,473	25,473
Digital Ventures $1M Facility	**637**	**637**	637	637
Helios Fund IV Commitment	**23,776**	**23,776**	25,185	25,185
TopCo LP Management Team Commitment	**3,566**	**3,566**	3,778	3,778
Event Horizon Loan	**4,944**	**4,944**	—	—
Helios Seven Rivers Fund	**30,000**	**30,000**	—	—
Due to related parties	**1,620**	**1,620**	803	803
Accounts payable and accrued liabilities	**984**	**984**	218	218
	191,750	**191,750**	156,844	156,844

(1) At maturity, 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. Fairfax did not exercise its option to redeem the HFP 3.0% Debenture on March 31 2022, the first anniversary or March 31, 2023, the second 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 it has received Carried Interest Proceeds and a clawback is required (refer to note 5).

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, 2023	December 31, 2022
Asset management[2]	**233,216**	225,398
Food and agriculture	**29,342**	40,879
Financial services [1]	**28,323**	26,510
Education	**25,267**	25,468
Entertainment	**49,007**	48,692
Infrastructure	**—**	17,632
Retail and distribution [1]	**33,868**	33,685
Insurance [1]	**8,407**	7,095
Other	**15,805**	16,595
	423,235	441,954

(1) Helios Fund IV has been allocated to industry sectors based on underlying investment holdings.
(2) The returns of TopCo LP Class A Limited Partnership Interest and TopCo LP Class B Limited Partnership Interest are tied to the performance of Helios Holdings Group.

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 $650,865 at March 31, 2023 (December 31, 2022 - $643,533). The increase primarily reflected net earnings of $7,038.

13. Related Party Transactions

Payable to Related Parties

At March 31, 2023, the company's payable to related parties was comprised of a payable to TopCo for investment and advisory fees of $1,620 (December 31, 2022 - $803).

Investment Advisory Agreement

The company and its subsidiaries are parties to the Investment Advisory Agreement with TopCo LP. TopCo LP has 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.

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 2023, investment and advisory fees recorded within the consolidated statements of loss and comprehensive loss were $817 (2022 - $1,055).

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, 2023 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2022 - $0) as the Adjusted Book Value per Share of $2.90 (December 31, 2022 - $2.91) (before factoring in the impact of the performance fee) was less than the hurdle per share at the respective date of $3.31.

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 2023, a performance fee of $nil (2022 - a performance fee recovery of $938) was recorded within the consolidated statements of loss and comprehensive loss.

Other Receivables from Related Parties

Other receivables from related parties of $1,766 at March 31, 2023 (December 31, 2022 - $1,319) was primarily comprised of distributions receivable of $1,713 from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during 2022 and 2023. Refer to the Private Portfolio Investments section in note 5. The receivable at December 31, 2022 was primarily comprised of a distribution receivable from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during 2022.

Fairfax's Voting Rights and Equity Interest

At March 31, 2023, Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 5,302,912 subordinate voting shares of HFP (December 31, 2022 - 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, 2023, 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, 2022 - 53.3% and 32.6%).

Principal Holdco's Voting Rights and Equity Interest

At March 31, 2023, Principal Holdco, a Luxembourg holding company, indirectly owned by the co-CEOs of the company, owned 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP (December 31, 2022 - 25,452,865 and 24,632,413). In addition to his ownership through Principal Holdco, one of the co-CEOs also directly owned 4,500 subordinate voting shares (December 31, 2022 - 4,500) and indirectly owned 62,000 subordinate voting shares through a holding company (December 31, 2022 - 62,000).

At March 31, 2023, Principal Holdco's holdings of multiple and subordinate voting shares represented 45.9% of the voting rights and 46.2% of the equity interest in HFP (December 31, 2022 - 45.9% and 46.3%).

Key Management Personnel and Director Compensation

Management Compensation

Compensation for the company's key management personnel for the first quarter of 2023 was recorded in general and administration expenses within the consolidated statements of loss and comprehensive loss as follows:

	First quarter	
	2023	2022
Short-term employee benefits	**396**	309
Share-based payments	**35**	—
	431	309

Director Compensation

Compensation for the company's Board of Directors for the first quarter of 2023 and 2022 was recognized in general and administration expenses in the consolidated statements of loss and comprehensive loss as follows:

	First quarter	
	2023	2022
Retainers and fees	**101**	100
Share-based payments	**85**	31
	186	131

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). Certain of the SIP Recipients are key management personnel of the company or employees of the Manager.

Long Term Incentive Plan

The company adopted the Long-Term Incentive Plan, pursuant to which restricted share units of the company were granted to the LTIP Recipients (refer to note 9). Certain of the LTIP recipients are key management personnel and directors of the company.

Related Party Investment Transactions

Helios Fund IV

Helios Fund IV is related to HFP by virtue of common key management personnel. In the first quarter of 2023, the company funded capital calls to Helios Fund IV of $1,408. The exchange amount of the transaction represented fair value (refer to notes 5 and 6).

Trone Holdings

On December 14, 2021, the company invested $15,528 for a 22.0% equity interest in Trone Holdings. Helios Fund IV, who controls SPV Rayon and the operating businesses of Trone and is a related party of HFP by virtue of common key management personnel, holds the remaining 78.0% equity interest in Trone Holdings. Trone Holdings is a related party of HFP by virtue of common key management personnel and is an associate of the company. The exchange amount of the transaction represented fair value on initial recognition (refer to notes 5 and 6).

TopCo LP

TopCo LP is a related party of HFP by virtue of common key management personnel and is an associate of the company. At March 31, 2023, the company recognized a distribution receivable from its TopCo LP Class B Limited Partnership Interest of $434, which reflected Excess Management Fees earned during 2023. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class B Limited Partnership Interest and a receivable from related parties of $434. The exchange amount of the transaction represented fair value (refer to notes 5 and 6).

TopCo LP Management Team Commitment

In 2023 , the company received total distributions of $363 representing Carried Interest from TopCo LP and made total capital contributions of $211 to Helios Fund IV through HIP Equity IV related to the Management Team Commitment. At March 31, 2023, the company's remaining capital commitment to TopCo LP with respect to the Management Team Commitment was $3,566 (refer to note 5).

HFP 3.0% Debentures

On March 31, 2021, Fairfax, through its affiliates, invested $100,000 in HFP 3.0% Debentures and HFP Warrants (refer to note 7).

Related party derivatives

Fairfax has issued the HFP Redemption Derivative (refer to note 5). This related party derivative is recorded in Related party derivatives and guarantees within the consolidated balance sheet.

Fairfax Loan

The company issued the $20,000 interest-free Fairfax Loan to Fairfax, due no later than December 8, 2023 (refer to note 6).

Digital Ventures Facilities

On May 30, 2022, the company entered into a loan facility agreement for $40,000 with Helios Digital Ventures LP ("HDV"), a limited partnership domiciled in Guernsey (the "Digital Ventures $40M Facility"). HDV is a venture capital fund with a focus on investing in digital infrastructure across Africa. Concurrently, the company entered into a loan facility for $1,000 with Obashe Trust ("Obashe"), a company domiciled in the United States (the "Digital Ventures $1M Facility"). Obashe is the sole limited partner of HDV. Helios DV is related to HFP by virtue of common key management personnel. Obashe Trust is also related to HFP.

Related Party Indemnity

In 2022, the company entered into an agreement with Fairfax in respect of which Fairfax agreed to indemnify the company for all claims and liabilities that may arise from the settlement, in 2021, of the Atlas Mara Zambia Term Deposit Guarantee of $13,495, inclusive of interest.

14. Other Assets

Other assets at March 31, 2023 and December 31, 2022 were comprised as follows:

	March 31, 2023			December 31, 2022		
	Gross	**Provision**	**Net**	Gross	Provision	Net
Receivable from Atlas Mara	**1,016**	**429**	**587**	1,016	429	587
Sales tax refundable	**99**	**—**	**99**	2,504	2,446	58
Other	**337**	**—**	**337**	187	—	187
	1,452	**429**	**1,023**	3,707	2,875	832

Receivable from Atlas Mara

At March 31, 2023 the receivable from Atlas Mara relates to the guarantee provided by the company to TLG Capital on 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 and 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. At March 31, 2023, the company had received partial repayment of the TLG Facility Guarantee of $4,261. The company expects further repayments on the TLG Facility Guarantee as Atlas Mara receives the remaining tranche of proceeds from the sale.

At March 31, 2023, the company estimated the recoverable amount on its receivable from Atlas Mara to be $587 based on amounts received and expected to be received from the UBN sale.

15. General and Administration Expenses

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

	First quarter	
	2023	2022
Audit, legal, tax and professional fees	**1,176**	1,119
Administrative expenses	**747**	434
Management service fees (note 13)	**54**	382
Salaries and employee benefit expenses	**1,309**	1,341
Brokerage fees	**—**	9
	3,286	3,285

16. Legal Proceedings

The company is a defendant in a current legal action and intends to vigorously defend itself against all legal claims arising from such action. Although the ultimate outcome of this matter cannot be ascertained at this time and the results of such legal proceedings cannot be predicted with certainty, it is the opinion of management, based on information currently available and the indemnity in place, that this is not a significant exposure and the resolution of this matter will not have a material adverse effect on the consolidated financial position of the company.

17. Supplementary Cash Flow Information

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

	March 31, 2023	December 31, 2022
Cash and balances with banks	**66,055**	49,473
Cash equivalents	**83,000**	75,768
	149,055	125,241

Details of certain cash flows included within the consolidated statements of cash flows for the three months ended March 31, 2023 and 2022 were as follows:

	First quarter	
	2023	2022
Purchases of investments		
Limited partnership investments	**(1,619)**	—
	(1,619)	—
Disposals of investments		
Loans	**28,215**	—
	28,215	**—**
Interest received (paid)		
Interest received	**1,562**	123
Interest paid on borrowings	**(740)**	(740)
	822	(617)
Dividends received	**208**	261
Income taxes paid	**(4,337)**	—

18. Reclassification of Comparative Amounts

During the first three months of 2023, the company changed its accounting policy related to the presentation of the Net realized gains on investments and Net change in unrealized gains (losses) on investments line items in the consolidated statements of net earnings (loss) and comprehensive earnings (loss). The prior presentation of these line items was changed to combine the aforementioned lines into Net gains (losses) on investments. The adjustment in presentation was made to better reflect the characteristics of the line items presented in the consolidated statements of net earnings (loss) and comprehensive earnings (loss). As at March 31, 2022, the following assets within the consolidated statements of net earnings (loss) and comprehensive earnings (loss) were adjusted as follows:

a. Net change in unrealized losses on investments of $12,526 were reclassified to Net gains (losses) on portfolio investments within the consolidated statements of net earnings (loss) and comprehensive earnings (loss). There were no Net realized gains during the quarter ended March 31, 2022.

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