2020 Annual Report

Contents

Helios Fairfax Partners Corporate Performance . . . 1

Corporate Profile 2

Letter from Chairman 4

Letter to Shareholders 5

Management's Responsibility for the Consolidated Financial Statements 10

Independent Auditor's Report 11

Helios Fairfax Partners Consolidated Financial Statements 19

Notes to Consolidated Financial Statements 24

Management's Discussion and Analysis of Financial Condition and Results of Operations . . 75

Corporate Information 128

HELIOS FAIRFAX PARTNERS

2020 Annual Report

Helios Fairfax Partners Corporate Performance

(in US$ thousands, except as otherwise indicated)[(1)]

	Book value per share[(2)]	Closing share price[(1)]	Income (loss)	Net earnings (loss)	Total assets	Investments	Common shareholders' equity	Shares outstanding[(1)]	Earnings (loss) per share
As at and for the years ended December 31									
Initial public offering	10.00	10.00[(3)]							
2017	10.21	14.16	31,851	23,484	669,111	339,052	516,736	50.6	0.54
2018	9.60	8.11	(42,108)	(60,580)	643,830	409,475	603,127	62.8	(1.06)
2019	8.72	5.91	(46,242)	(61,199)	520,667	458,565	518,815	59.5	(1.01)
2020	5.50	5.25	(173,033)	(206,646)	610,776	513,065	599,735	109.1	(3.31)
Compound annual decline	(14.3)%[(4)]	(15.3)%							

(1) All share references are to common shares; Closing share price and per share amounts are in U.S. dollars; Shares outstanding are in millions.

(2) Calculated as common shareholders' equity divided by common shares effectively outstanding.

(3) On February 17, 2017, upon completion of the company's initial public offering price of $10.00 per share, Fairfax Africa Holdings Corporation's subordinate voting shares began trading on the Toronto Stock Exchange under the symbol FAH.U. In December 2020, following completion of the Transaction, the TSX symbol for the company's subordinate voting shares was changed to HFPC.U.

(4) The company's book value per share of $5.50 at December 31, 2020 represented a compound annual decline from the initial public offering price of $10.00 per share at February 17, 2017 of 14.3%.

Corporate Profile

Helios Fairfax Partners Corporation (''HFP'') is an investment holding company whose investment objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities, and debt instruments in Africa and African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa (''African Investments'').

African Investments

HFP's *Private African Investments*, whose fair values cannot be derived from an active market and accordingly are determined using industry accepted valuation techniques and models, are comprised as follows:

HFA Topco, L.P. (''TopCo LP'') is a Guernsey limited partnership organized principally for the purpose of (i) holding certain interests in carried interest vehicles and receiving carried interest proceeds arising in respect of the existing and future funds managed by Helios Investment Partners LLP (the ''Helios Funds'') and distributing carried interest proceeds to Class A Limited Partners; (ii) receiving fee related earnings from the management of the Helios Funds and distributing net fee related earnings to the Class B Limited Partners; (iii) receiving any other residual proceeds and distributing such residual proceeds to Class C Limited Partners; (iv) receiving any performance fees from HFP and distributing such performance fees to the Class D Limited Partners; and (v) providing certain administration, investment management and investment advisory services to HFP under the Investment Advisory Agreement. TopCo LP entered into a sub-advisory agreement with Helios Investment Partners LLP, to provide the investment advisory services to HFP, as contemplated under the Investment Advisory Services Agreement. On December 8, 2020, pursuant to the terms of the purchase and sale agreement entered into on July 10, 2020, HFP acquired all of the issued and outstanding TopCo LP Class A and Class B Limited Partnership Interests from Helios Holdings Limited (''HHL'') and Helios Holdings Partners Limited (''HHPL'') for $88.5 million and $186.8 milion respectively, in exchange for 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP issued to HHL and HHPL, representing 45.9% of the equity and voting interest in HFP. Immediately following the closing of the Transaction, each of HHL and HHPL transferred the HFP shares to HFP Investment Holdings SARL (''Principal Holdco''), a Luxembourg holding company, indirectly owned by Tope Lawani and Babatunde Soyoye.

AFGRI Holdings Proprietary Limited is a private holding company based in South Africa and owns 100.0% of AFGRI Group Holdings Proprietary Limited (''AGH''), an investment holding company with interests in a number of agricultural and food-related companies providing products and services to ensure sustainable agriculture. AGH's investment philosophy is to create long term sustainable value by targeting investments in agriculture, food processing and financial services, by building or acquiring equity interests in companies which provide AGH control or significant influence. AGH's long term growth strategy is based on a vision to ensure sustainable agriculture and enable food security across Africa. AGH's core focus is grain commodities and it provides services across the entire grain production and storage cycle, offering financial support and solutions as well as high-tech equipment through the John Deere brand supported by a large retail footprint. In addition to South Africa, AGH currently has operational activities aimed at supporting agriculture in Zambia, Zimbabwe, Mozambique, Congo-Brazzaville, Botswana and Côte d'Ivoire. AGH also has a John Deere operation in Australia, an animal feeds research and development venture in the United Kingdom, and an investment in animal feeds in the United States of America. AGH's revenues from continuing operations for the twelve months ended September 30, 2020 were $932.9 million. At September 30, 2020, AGH had shareholders' equity of $123.4 million and there were 6,547 employees at December 31, 2020. Additional information can be accessed from AGH's website www.agh.co.za.

Philafrica Foods Proprietary Ltd. (''Philafrica''), the former foods business of AGH, is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, and soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries). Philafrica's vision is to support the lives of millions of Africans through food processing in Africa. Philafrica has 15 production plants across the South African provinces of Gauteng, KwaZulu-Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo. Philafrica's management believes that the most effective way to transform African agriculture is to create market pull through large-scale food processing, which requires vertical integration throughout the entire food value chain straight back to the farms and ensures consistent quality supply of raw materials into the company's food production sites. Philafrica's revenues for the twelve months ended September 30, 2020 were $488.9 million. At September 30, 2020, Philafrica had shareholders' equity of $53.4 million and there were 3,095 employees at December 31, 2020. Additional information can be accessed from Philafrica's website www.philafricafoods.com.

GroCapital Holdings Proprietary Limited (''GroCapital Holdings'') is a bank holding company that owns 99.9% of Grobank Limited (''Grobank''). Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to medium-sized businesses and individuals, specializing in the agri-business value chain and associated industries in the South African market, driven by a unique combination of retail, business and alliance banking and agri-business experience. Grobank offers comprehensive traditional business banking such as lending, transaction banking, treasury and foreign exchange as well as alliance banking services, which provide niche transactional banking offerings in partnership with non-banking entities who would like to offer financial services into their customer base. Grobank's net interest income for the twelve months ended September 30, 2020 was $6.5 million. At September 30, 2020, Grobank had shareholders' equity of $23.1 million and there were 158 employees at December 31, 2020. Additional information can be accessed from Grobank's website www.grobank.co.za.

Consolidated Infrastructure Group Limited (''CIG'') is a Pan-African engineering infrastructure company previously listed on the Johannesburg Stock Exchange under the stock symbol CIL. CIG has a diversified portfolio of operations including services and materials in power and electrical, waste management of oil and gas, building materials and the railway sector, with a footprint that spans over 20 African countries and the Middle East. Additional information can be accessed from CIG's website www.ciglimited.co.za.

Atlas Mara Limited (''Atlas Mara'') is a publicly traded, Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Since its inception in 2013, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia. Additional information can be accessed from Atlas Mara's website www.atlasmara.com.

Nova Pioneer Education Group (''Nova Pioneer'') is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2013 with its first school opening in South Africa in 2015. Since then, Nova Pioneer has expanded across South Africa and launched its first campus in Kenya in 2016. Nova Pioneer operates thirteen schools with a combined enrollment of approximately 4,450 students. Additional information can be accessed from Nova Pioneer's website www.novapioneer.com.

Other – HFP also has investments in common shares of public African companies listed on the Johannesburg Stock Exchange.

To Our Shareholders:

I was introduced to Tope Lawani and Helios Investment Partners (Helios) back in the summer of 2019. I was very impressed by their long-term track record of generating investment returns in Africa across several business cycles. Helios LP investors have done extraordinarily well in U.S. dollar terms over the long term. As we talked further with Tope and Baba Soyoye, the other co-founder of Helios, we realized that our cultures were very similar and that, with Fairfax Africa Holdings and Helios working together, we could establish the pre-eminent investment vehicle for Africa in the years to come.

In July 2020, the Fairfax Africa board approved of the transaction to form Helios Fairfax Partners Corporation (HFP) and HFP's shareholders voted overwhelmingly in favour of the transaction in December 2020. Helios contributed certain income streams from its private equity business into HFP, for 45.9% of the shares of HFP valued at $275 million. Helios' track record combined with Fairfax Africa's balance sheet ($325 million of net assets, largely de-risked) yielded an extraordinary opportunity for HFP shareholders. Shareholders (Fairfax included) will benefit from the long term appreciation of the balance sheet assets in addition to the recurring cash flows from the growing net management fee income of Helios' private equity business and future performance fees (carry income). Our view is that once the execution of the above three drivers is proven (i.e., balance sheet, net management fee and carry income), the perceived intrinsic value will be dramatically higher than the current value of the shares in the market.

While past performance of Fairfax Africa has been disappointing, the greatly enhanced platform with Helios and Fairfax as partners is very well positioned as the premier Africa-focused investment manager to capitalize on the long term opportunities in that continent. We welcome Tope and Baba as Co-CEOs of HFP and bring your attention to their excellent first letter to shareholders. We thank Paul Rivett, Vice Chairman of Fairfax Africa, and Michael Wilkerson, CEO, for their efforts to establish Fairfax Africa, and we welcome Ken Costa as the new Chairman of HFP. Ken has over 40 years experience in investment banking, having served as Chairman of Lazard International from 2007 until 2011. Prior to Lazard, he was the Chairman of UBS Investment Bank for the MENA region. We look forward to his guidance and support for HFP in the future.

Fairfax continues to hold 32.3% of the equity and 53.3% of the votes of HFP. Together, Fairfax and Helios will be the ultimate controlling party of HFP. We are excited to be partners with Tope and Baba and believe this partnership will be good for Africa and the shareholders of HFP.

As we embark on this new journey, we thank the directors of Fairfax Africa, particularly Lt. Gen. (ret.) Roméo Dallaire who was the Chair of the Special Committee, for their strong support of this merger.

March 5, 2021

V. P. Watsa

V. Prem Watsa
Chairman

To our shareholders,

In our first shareholder letter, we would like to start by thanking you for your support and reiterating how pleased we are to be leading Helios Fairfax Partners (''HFP'').

Our founding vision for Helios was to build the leading Africa-focused investment firm, generating globally competitive returns and real impact by combining world class investment capabilities, an entrepreneurial, business-building approach, and an unparalleled mix of local and global connectivity. This is our vision for HFP. We have a passion for Africa and a desire to leverage capital and expertise to drive socio-economic development on the continent. We are curious and hardworking people, and you can expect from us adherence to the same values that have always guided us: integrity, transparency, candour and a desire always to do better.

In this letter we will articulate our strategy for value-creation and our framework for measuring that value; update you on the progress we have made on our key priorities in the few weeks since the transaction between Fairfax Africa Holdings (''FAH'') and Helios was completed in December 2020; and share with you our views on the medium-term outlook for some of the key value drivers.

Our Strategy

The FAH-Helios transaction gave rise to a structure that is unique in the African investment landscape: HFP combines the long-term stability and strategic flexibility provided by FAH's balance sheet and public listing with the management fee income and performance fee upside potential from the long-dated third-party funds in Helios's alternative asset management business (''Helios Funds'').

While FAH sought to create shareholder value solely from appreciation in the value of its balance sheet investments and was therefore, appropriately, valued relative to its book value, HFP aims to create value from two additional sources: growth in management fee-related earnings; and growth in performance fee income. HFP's value will derive from the sum of the three parts: (i) balance sheet investments, valued on a price-to-book basis, plus net cash; (ii) fee-related earnings paid to HFP from Helios Funds, valued by applying a price-to-earnings multiple to such earnings on an accrual basis; and (iii) HFP's share of unrealized gains in performance fees, valued by applying a market-based multiple to such gains.

Our strategy is to harness HFP's balance sheet to create value along all three dimensions and, in due course, reward our shareholders with regular dividends. We intend to drive appreciation in HFP's balance sheet investments by investing in or alongside Helios Funds – providing HFP with access to the best investment opportunities originated by Helios's market-leading team. At the same time, we will seek to grow and diversify HFP's fee-related earnings and performance fees by leveraging HFP's capital base to accelerate, organically or by strategic acquisitions, the development of Helios's third-party fund management business. Diversification will be highly selective, focusing on new investment strategies that leverage existing Helios capabilities; offer tangible synergies such as deal flow, market intelligence, or new investor relationships; and are of sufficient scale as to warrant the dedication of capital and other resources.

A core value of ours, embedded in HFP's structure and reinforced in our strategy going forward, is to strongly align the interests of HFP's shareholders with those of the limited partners in Helios's third-party funds and with those of Helios itself as investment adviser. Integral to that objective is that the individual members of the Helios team are personally (and materially) invested in HFP's shares and in all the third-party funds that Helios advises; and that HFP's balance sheet capital is invested in or alongside the third-party funds. The success of the Helios Funds, the creation of shareholder value at HFP and the wealth and remuneration of Helios's team members are inextricably linked. Stakeholder interests will be well aligned.

Progress to Date

We have focused our efforts in the weeks since the completion of the transaction on two areas: integrating the FAH and Helios teams and operating processes; and stabilizing and driving value creation within the legacy FAH investment portfolio to create a solid financial foundation on which to execute our stated strategy. We have made excellent progress in both areas.

The integration of the teams has gone smoothly, aided by cultural similarities between Fairfax Financial Holdings Corporation (''Fairfax'') and Helios and by the respective teams having developed good personal and working relationships in the run-up to the completion of the transaction.

We are similarly pleased with the progress we are making on the legacy FAH portfolio, which has experienced well-documented challenges. Due to a combination of negotiated risk mitigants (either agreed as part of the original transaction or put in place in our recently announced portfolio insurance transaction with Fairfax) and the intensive engagement of our investment and portfolio operations teams, we are confident in the robustness of the current valuations and the prospects for further upside.

As you know, the terms of the FAH-Helios transaction provided that the company's pre-closing position in Atlas Mara shares would be sold to Fairfax for $40 million. Additionally, Fairfax guaranteed HFP's investment in the Atlas Mara Facility as well as deposits held in Atlas Mara Zambia and in Grobank. The latter three positions are valued collectively at $64 million. Together, with the sale of the Atlas Mara shares, these agreements virtually eliminated the risks associated with $104 million of HFP's investments.

Table 1: Guaranteed Investments

Guaranteed Investments	**US$ millions**	**Comments**
Atlas Mara Common Shares	40.0	50% already paid, 50% due from FFHL by Q4 2023
Atlas Mara Facility	43.7	Guaranteed by FFHL and repayable in Q1 2021
Atlas Mara Zambia Term Deposit	13.0	Guaranteed by FFHL and repayable by Q4 2021
Grobank Restricted Cash	7.3	Guaranteed by FFHL and repayable by Q4 2021
Total Guarantees	**104.0**	

Our recent portfolio insurance transaction with Fairfax eliminated additional potential downside risks associated with legacy positions while simultaneously providing meaningful additional liquidity with which to invest in attractive opportunities that are consistent with the future HFP strategy.

Pursuant to the January 21, 2021 portfolio insurance agreement, Fairfax purchased from HFP a $100 million three-year note, the value of which will be reduced, dollar-for-dollar, to the extent that the value at maturity of a portfolio of assets comprising the company's equity and debt investments in AFGRI Holdings Proprietary Limited (''AGH''), Philafrica and the PGR2 Loan falls below $102.6 million. The fair value of this portfolio as of December 31, 2020 was approximately $80 million. This contingent value note, in effect, guarantees a floor valuation of $100 million for a portfolio presently valued at $80 million. In exchange, the notes will bear interest at an annual rate of 3% and Fairfax will receive warrants for the purchase of 3 million newly issued HFP shares at an exercise price of $4.90 per share.

Table 2: Portfolio Insurance

Portfolio Insurance (US$ millions)	**30-Jun-20**	**31-Dec-20**
Loans Fair Value	**24.3**	**7.2**
o/w PGR2 Loan	18.6	–
o/w Philafrica Facility	5.7	7.2
Equities Fair Value	**78.3**	**73.2**
o/w AGH Equity[(1)]	63.1	64.2
o/w Philafrica Common Shares	15.2	9.0
Portfolio Fair Value	**102.6**	**80.4**
Portfolio Insured Value	**100.0**	**100.0**

(1) Indirect equity interest through HFP's ownership in Joseph Holdings

With $104 million in value guaranteed under the terms of the FAH-Helios transaction, $100 million guaranteed under the portfolio insurance agreement, cash year end balances of $46.1 million (the reported $66.1 million, less $20 million already received in part payment for the Atlas Mara shares) and $14.8 million in liquid listed equities, a total of $264.9 million in asset value is attributable to cash or extremely low risk assets.

Cash and guaranteed investments represent 43% of the company's NAV and 77% of its NAV, excluding the fair value of HFA Topco LP, the entity holding the rights to the income streams acquired from Helios.

Table 3: Pro Forma HFP Net Asset Value

Net Asset Value – December 2020	US$ millions	% Total
Cash & Equivalents[1]	**46.1**	**7%**
Short-Term Publicly-Traded Investments	**14.8**	**2%**
Insured & Guaranteed Investments	**204.0**	**34%**
Non-Guaranteed Investments	**79.5**	**13%**
o/w ATMA Bonds	22.4	4%
o/w CIG Loan	19.3	3%
o/w GroCapital Holdings common shares	1.4	0%
o/w Nova Pioneer Bonds	36.4	6%
HFA TopCo LP FairValue	**275.3**	**44%**
Other Assets & Liabilities	**0.2**	**0%**
HFP Net Asset Value	**619.9**	**100%**

(1) Reported Dec 2020 cash & equivalents excluding Atlas Mara shares payment of $20 million already received.

(2) Floor value of Insured and Guaranteed Investments representing the amounts guaranteed by FFHL.

In addition to underpinning the company's NAV, these arrangements ensure that our investment and portfolio operations teams have sufficient runway to execute on the various value creation plans in place at each portfolio company ahead of orderly disposals in the medium term. The range of outcomes on those assets is very much skewed to the upside.

Measuring Value: NAV versus Earnings

From a fair value accounting standpoint, at $275.3 million, HFP's most significant single asset is HFA Topco LP, the entity through which HFP receives excess fees and a share of performance fees from Helios Funds. As detailed in FAH's Management Proxy Circular published ahead of the special shareholder meeting at which the FAH-Helios transaction was approved, this value was derived by combining: (a) the discounted present value (at a roughly 19% discount rate) of the approximately $230 million in HFP's fee-related earnings expected from all Helios Funds over an eight-year forecast period (one-third of which is anticipated within the next five years) and a terminal value for fees expected thereafter; and (b) the discounted present value (at a 21 to 27% discount rate) of the approximately $140 million in performance fees expected to be received by HFP from already-existing Helios Funds, the bulk of which is forecast to be received within the next five years. No value is ascribed to potential performance fees from future Helios Funds.

HFP's interests in HFA Topco LP are recorded on a fair value basis but, from a purely economic standpoint, we believe that those interests are best evaluated by applying market-based price-earnings multiples to HFP's entitlement to annual fee-related earnings on an accrual basis and HFP's entitlement to annual share of unrealized gains in performance fees. We will endeavour to provide you with additional information on fee-related earnings and unrealized performance fee gains from Helios Funds going forward.

Outlook for Value Drivers

An important determinant of HFP's fee-related earnings potential is Helios's ability to raise (and, of course, to invest successfully) third-party funds to support its investment strategies, which is largely a function of the health of the fundraising environment for Africa-focused funds generally. While historically Helios has met or exceeded its fundraising targets, it is fair to say that, for the last several years, fundraising for African (and other emerging markets) funds has been challenging.

In the immediate term, the pace of fundraising will be constrained by the logistical challenges imposed by Covid-19 related travel restrictions, which affect the ability of fund managers to market their funds and make it more difficult for prospective investors to conduct on-site due diligence. With continued progress on vaccination programs, we expect those conditions to ease gradually in the coming months.

Beyond Covid-19, however, we are of the view that the fundraising environment has the potential to improve significantly as the primary driver, relative performance, begins to turn in favor of Africa and other emerging markets. A dollar invested in the S&P 500 ten years ago would have generated almost two-and-a-half times the return generated from an index

comprising the major African stock markets, namely Cairo, Casablanca, Lagos, Nairobi and Johannesburg. As private equity returns tend to correlate with returns in public markets it is no surprise that, over this period, fund investors have heavily favored US private equity.

It is highly noteworthy that 80% of the outperformance of the US market over the last decade has been due to a divergence in market multiples, a direct result of differences in the respective interest rate environments. The S&P 500 and our African composite index traded at roughly the same forward earnings multiple 10 years ago and now the S&P 500, at approximately 24x forward earnings, is valued at almost twice the price-to-earnings ratio of the African comparator. Given the inverse relationship between interest rates/discount rates and market multiples, there are two important phenomena at work: first is that in a high discount rate environment such as Africa's, declines in discount rates only have a modest impact on market multiples. However, in a lower discount rate environment, as in the US, even small declines in interest rates have a significant upward impact on market multiples; second, as rates approach zero, as they have in the US and other developed markets, multiple expansion accelerates ever faster. So, while interest rates have declined in Africa as they have in the US, the effect on market multiples has been far more dramatic in the US. US private equity outperformance is simply another consequence of extremely accommodative monetary policy there and in other developed markets.

With the gap in price-earnings multiples between the S&P 500 and our African composite index already higher (at 11 multiple points) than at any time in recent memory, US multiples already close to all-time highs, and US interest rates already close to zero, there simply is limited scope remaining for the interest rate factors that have driven the divergence in multiples – and the outperformance – of the last decade to continue. And while not necessarily causative, the fact that the current bull market in US equities is already 20% longer running than the second longest does not help a case for US outperformance.

If the US-Africa gap in market price-to-earnings multiples begins to close (or simply does not continue to widen) African equities would outperform those in the US, except if corporate earnings growth in the US were to exceed Africa's. Reliable and consistently reported data on earnings growth in Africa is difficult to come by. However, for illustrative purposes, over the five years to June 2020, the average annual earnings growth for companies in the Helios private equity portfolio, in US dollars and on a constant cohort basis, was 14.5%. Average annual earnings growth over the same timeframe for the Russell 3000 Index, which is somewhat reflective of the portfolios of US private equity firms, was 2.4%. We have no reason to believe that that relationship changed in the latter half of the year.

In sum, we are optimistic about the medium-term prospects for fundraising for Africa-focused funds, as we believe that the weight of evidence suggests that Africa will outperform US markets over the 5 to 10-year horizon that is relevant for investors in private equity funds. Indeed, there are early signs that a fundamental reassessment of the attractiveness of emerging markets, of which Africa is a part, may be underway. According to a survey conducted by BofA Securities between January 8 and 14, two-thirds of the 217 fund managers overseeing $596 billion assets expect emerging markets to be the top performing asset class of 2021.

The attractiveness of Helios's investment strategies is obviously as crucial to Helios's ability to raise capital as the health of the general fundraising environment is. Helios's investment strategy in its core private equity business reflects the learnings and pattern recognition that 16 years of experience investing in Africa has afforded and, we believe, positions it well to generate globally competitive returns.

Helios's focus sectors, namely Financial Services and Financial Technology; Telecom and Internet Infrastructure; Clean Energy and Power; and Consumer Non-Discretionary goods and services are well-placed to benefit from demographics/urbanization and technology/innovation, the engines of growth in Africa. Similarly, Helios's approach to investment selection addresses various peculiarities of the African investment environment: focusing on demographically- or technologically-driven secular growth opportunities minimizes risks associated with the general business cycle; focusing on control or joint control investments accelerates the value creation process; proactively seeking out investments with natural hedges against adverse currency movements and avoiding those with direct commodity price exposure mitigates macro risks that are impossible to manage and difficult to price. And, lastly, acutely aware that climate-related targets are increasingly influencing asset values, Helios seeks to ensure that its future investments are consistent with the Paris Agreement and related protocols.

All three drivers of HFP shareholder value: appreciation in the value of balance sheet assets; growth in fee-related earnings; and increases in performance fees, stand to benefit from the attractiveness of Helios's investment strategy and the positive medium-term outlook for fundraising.

In Closing

At HFP, we occupy a uniquely interesting position: as the leading investment firm in the world's most capital-short market, with the most attractive demographic profile and the highest natural rates of growth, there is a significant amount of positive optionality embedded in our business. While we may not be able to predict what will happen from one quarter to the next, we are convinced that, over the long term, this will be a happy experience.

Our partnership with Fairfax is off to an excellent start. The few weeks since the completion of the transaction and the several months leading up to it have been marked by consistently constructive dialogue, a collaborative spirit and a singular focus on creating shareholder value. Prem and his team are truly outstanding partners.

We are excited about the journey ahead. There will no doubt be bumps along the way and we will inevitably get some things wrong – but we are confident that we will get more things right than wrong.

We thank you again for your support and we look forward to the annual meeting at 2:30 p.m. (Eastern time) on April 14. While it had been our plan to hold the meeting in person at the Fairmont Royal York Hotel in Toronto, Canada, the meeting will be held virtually due to restrictions on movement and group gatherings.

March 5, 2021

Tope Lawani
Co-Chief Executive Officer

Babatunde Soyoye
Co-Chief Executive Officer

Management's Responsibility for the Consolidated Financial Statements

The preparation and presentation of the accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations (''MD&A'') and all financial information are the responsibility of management and have been approved by the Board of Directors (the ''Board'').

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of the consolidated financial statements.

We, as HFP's Co-Chief Executive Officers and Chief Financial Officer, have certified HFP's annual disclosure documents filed with the Canadian Securities Administrators in accordance with Canadian securities legislation.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board and reviews the consolidated financial statements and MD&A; considers the report of the independent auditor; assesses the adequacy of the internal controls of the company; examines the fees and expenses for audit services; and recommends to the Board the independent auditor for appointment by the shareholders. The independent auditor has full access to the Audit Committee and meet with it to discuss their audit work, HFP's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements and MD&A for issuance to the shareholders.

March 5, 2021

Tope Lawani
Co-Chief Executive Officer

Babatunde Soyoye
Co-Chief Executive Officer

Amy Sherk
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Helios Fairfax Partners Corporation (formerly Fairfax Africa Holdings Corporation)

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Helios Fairfax Partners Corporation and its subsidiaries (together, the Company) (formerly Fairfax Africa Holdings Corporation) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of earnings (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Accounting for the Helios Transaction

Refer to note 2 – Helios Transaction, note 4 – Summary of Significant Accounting Policies, note 5 – Critical Accounting Estimates and Judgments and note 6 – African Investments to the consolidated financial statements.

On December 8, 2020, the Company closed the transaction with Helios Holdings Limited, pursuant to which Helios Holdings Limited contributed its entitlement to cash flows arising from certain fee streams in exchange for a 45.9% equity and voting interest (the Transaction). As a result, the Company acquired all of the issued and outstanding HFA Topco, L.P. (TopCo LP) Class A and Class B Limited Partnership Interests valued at $88.5 million and $186.8 million, respectively, in exchange for 25.5 million multiple voting shares and 24.6 million subordinate voting shares of the Company. The TopCo LP Class A and Class B Limited Partnership Interests, respectively, entitle the Company to receive carried interest proceeds and net management fees. In accounting for the Transaction, management made critical accounting judgments, which included:

- Management exercised judgment in concluding it continues to meet the definition of an investment entity. The following critical accounting judgments were made by management in this determination:
  - the Company does not have exit strategies for the TopCo LP Class A and Class B Limited Partnership Interests, however, the underlying Helios funds have exit strategies in place for each of their underlying portfolio investments; and
  - TopCo LP's investment-related services do not preclude the Company from meeting the definition of an investment entity.
- Management exercised judgment in determining the basis of measurement for the 25.5 million multiple voting shares and 24.6 million subordinate voting shares issued to the Helios Holdings Group. Management measured the shares issued at the fair value of the TopCo LP Class A and Class B Limited Partnership Interests received estimated using internal valuation models, versus the publicly traded price of the Company's subordinate voting shares.

We considered this a key audit matter due to the complexity of the Transaction and the significant judgment exercised by management in determining the accounting for the Transaction. This in turn led to a high degree of auditor judgment and effort in performing procedures to evaluate management's proposed accounting treatment.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Evaluated the judgment exercised by management in determining the accounting treatment for the Transaction, including determining if the Company continued to meet the definition of an investment entity and determining the basis of measurement for the share issuance, which included the following:
  - Obtained and reviewed the relevant agreements and supporting documents for the Transaction.
  - Obtained and reviewed management's accounting analysis for the Transaction.
  - Understood the nature of the Transaction and evaluated the accounting treatment.

Key audit matter	How our audit addressed the key audit matter
Valuation of TopCo LP Class A and Class B Limited Partnership Interests	
Refer to note 2 – Helios Transaction, note 4 – Summary of Significant Accounting Policies, note 5 – Critical Accounting Estimates and Judgments, note 6 – African Investments and note 7 – Cash and Investments to the consolidated financial statements.	

The Company held investments in TopCo LP Class A and Class B Limited Partnership Interests at fair values of $88.5 million and $186.8 million, respectively, as at December 31, 2020. Management uses internal valuation models that incorporate significant unobservable inputs to value the TopCo LP Class A and Class B Limited Partnership Interests. These investments are valued as follows:
 	
• TopCo LP Class A Limited Partnership Interests entitle the Company to receive carried interest proceeds that are valued by management using a discounted cash flow analysis based on multi-year free cash flow forecasts derived from underlying portfolio exit assumptions developed by the Helios Holdings Group. The discounted cash flow analysis included significant unobservable inputs, such as the discount rates and portfolio exit assumptions consisting of the target exit timing and multiples of invested capital for each portfolio investment within the Helios funds. The portfolio exit assumptions were dependent on the business plans and exit strategies of the underlying investments within the Helios funds. The free cash flow forecasts were based on estimates of carried interest proceeds derived for each Helios fund in accordance with the distribution provisions in the respective Helios fund limited partnership agreement. The exit assumptions were subject to a higher degree of estimation uncertainty due to continued business disruptions as a result of COVID-19.
 	
• TopCo LP Class B Limited Partnership Interests entitle the Company to receive net management fees that are valued by management using a discounted cash flow analysis. The discounted cash flow analysis included significant unobservable inputs, such as the discount rate, forecasted growth in assets under management, long term pre-tax profit margin and the long term growth rate. The forecasted growth in assets under management is driven by the creation of new Helios funds. Continued business disruptions as a result of COVID-19 resulted in a higher degree of estimation uncertainty.
	Our approach to addressing the matter included the following procedures, among others:
	
	• Tested how management determined the fair value of the TopCo LP Class A Limited Partnership Interests, which included the following:
	  • Evaluated the appropriateness of the discounted cash flow analysis used by management, including assessing the reasonableness of the COVID-19 impact on the analysis and on the significant unobservable inputs.
	  • Evaluated the reasonableness of significant unobservable inputs, which included target exit timing and multiples of invested capital, by considering consistency with, as applicable:
	    • current and past performance of the Helios funds and particular underlying portfolio investments, including realized investments and historical rates of return;
	    • past holding periods for portfolio investments;
	    • projected multiples of invested capital based on the assumed discount rate and historical rates of return; and
	    • relevant external market and industry data, including peer valuation multiples and transaction multiples.
	  • Professionals with specialized skill and knowledge in the field of valuations assisted us in evaluating the appropriateness of management's discounted cash flow analysis, including the discount rate used and assessing the ability to generate carried interest proceeds based on historical performance.

Key audit matter

We considered this a key audit matter due to the significant judgment required by management when determining the fair value estimate of these investments. This determination required the use of discounted cash flow analyses, which included significant unobservable inputs. This in turn led to a high degree of auditor judgment and effort in performing procedures relating to the valuation of these investments. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuations.

How our audit addressed the key audit matter

- Tested how management determined the fair value of the TopCo LP Class B Limited Partnership Interests, which included the following:
  - Evaluated the appropriateness of the discounted cash flow analysis used by management, including assessing the reasonableness of the COVID-19 impact on the analysis and on the significant unobservable inputs.
  - Evaluated the reasonableness of significant unobservable inputs, which included the forecasted growth in assets under management and long term pre-tax profit margin, by considering consistency with, as applicable:
    - current and past performance of the underlying Helios funds, historical ability to raise capital, and the historical growth in assets under management; and
    - relevant external market and industry data, including pre-tax profit margins of peers, peer growth in assets under management and macroeconomic and asset management data for Africa.
  - Professionals with specialized skill and knowledge in the field of valuations assisted us in evaluating the appropriateness of management's discounted cash flow analysis, including the discount rate, long term pre-tax profit margin and long term growth rate.
- Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of significant unobservable inputs used.

Key audit matter

Valuation of Private African common stocks and Private African loans and bonds (excluding TopCo LP Class A and Class B Limited Partnership Interests)

Refer to note 4 – Summary of Significant Accounting Policies, note 5 – Critical Accounting Estimates and Judgments, note 6 – African Investments and note 7 – Cash and Investments to the consolidated financial statements.

The Company held financial instruments categorized as Private African common stocks measured at fair value of $74.7 million and Private African loans and bonds measured at fair value of $115.6 million as at December 31, 2020. Valuation of these Private African common stocks and Private African loans and bonds uses valuation techniques that depend on the type of investment. Management uses unobservable inputs as there is little, if any, market activity in these investments and no relevant observable inputs as at the measurement date. These investments are valued as follows:

- *Private African common stocks,* of $73.3 million, are valued by management using discounted cash flow analyses that incorporate significant unobservable inputs, including multi-year free cash flow forecasts, after-tax discount rates and long term growth rates. The development of these significant unobservable inputs included added uncertainty related to the impacts of COVID-19.
- *Private African loans and bonds*, of $55.7 million, are valued by management using discounted cash flow and option pricing analyses that incorporate the significant unobservable inputs of estimated credit spreads. Some Private African loans and bonds experienced a decline in collateral value and liquidity pressures caused by the impacts of COVID-19 on the underlying businesses and have either entered business rescue or debt standstill agreements. For those loans and bonds, valued at $59.9 million, the Company changed its valuation technique to an expected recovery model, which incorporated significant unobservable inputs of collateral value expected to be recovered and expected timing and proceeds from planned asset sales. The development of the significant unobservable inputs in these models included added uncertainty related to the impacts of COVID-19.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the fair values of the Private African common stocks, which included the following:
  - Evaluated the appropriateness of the discounted cash flow analyses used by management, including assessing the reasonableness of the COVID-19 impact on the analyses and on the significant unobservable inputs.
  - Tested the underlying data used in management's discounted cash flow analyses by reviewing historical financial performance and the current environment, considering the degree of historical accuracy of management's assumptions and forecasts and considering other company-specific information including benchmarking against peers and current market conditions.
  - Evaluated the reasonableness of significant unobservable inputs such as multi-year free cash flow forecasts, after-tax discount rates and long term growth rates by considering consistency with, as applicable:
    - current and past performance of the particular investment;
    - relevant external market and industry data; and
    - evidence obtained in other areas of the audit.
  - Professionals with specialized skill and knowledge in the field of valuation assisted us in evaluating the appropriateness of management's discounted cash flow analyses, including the after-tax discount rates and long term growth rates.

Key audit matter

We considered this a key audit matter due to the significant judgment required by management when determining the fair value estimate of these investments. This in turn led to a high degree of auditor subjectivity, judgment and effort in performing procedures relating to the valuation of these investments. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

How our audit addressed the key audit matter

- Tested how management determined the fair values of the Private African loans and bonds, which included the following:
  - For the Private African loans and bonds management valued using the discounted cash flow and option pricing models, professionals with specialized skill and knowledge in the field of valuation assisted us in developing independent point estimates, using data and significant unobservable inputs of credit spread provided by management. In addition, they evaluated the reasonableness of these significant unobservable inputs. The procedures performed also included assessing the appropriateness of the peer group of comparable companies used by management in determining the credit spread, and assessing the credit spread used against those comparable companies.
  - For the Private African loans and bonds management valued using the expected recovery model, professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the fair values, using data and significant unobservable inputs of collateral value expected to be recovered, and expected timing and proceeds from planned asset sales provided by management as applicable. In addition, they evaluated the reasonableness of these significant unobservable inputs. The procedures performed also included the following:
    - assessed the appropriateness of the peer group of comparable companies used by management in assessing the expected proceeds from planned asset sales utilizing relevant market and industry data; and
    - assessed the collateral value expected to be recovered to support the recovery value.
- Tested the underlying data used in developing the valuation models by agreeing the key inputs used in the models to the terms in the underlying agreements, and relevant market and industry data.
- Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of significant unobservable inputs used.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report. The other information does not include information contained in the websites of the Company's African investments as disclosed in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Wilson.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 5, 2021

Consolidated Financial Statements

Consolidated Balance Sheets
as at December 31, 2020 and December 31, 2019
(US$ thousands)

	Notes	December 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents	7, 17	66,052	44,334
Restricted cash deposits	13	7,525	7,500
Term deposits	13	12,392	–
Short term investments	7	–	104,008
Loans	6, 7, 13	76,175	41,984
Bonds	6, 7	58,829	78,820
Common stocks	6, 7	89,510	232,212
Derivatives and guarantees	6, 7, 13	13,252	1,541
Limited partnership investments	6, 7, 13	275,299	–
Total cash and investments		599,034	510,399
Interest receivable		8,961	5,835
Deferred income taxes	11	835	1,665
Income tax refundable	11	–	380
Other assets		1,946	2,388
Total assets		610,776	520,667
Liabilities			
Accounts payable and accrued liabilities	16	6,982	297
Payable to related parties	13	3,660	1,555
Income taxes payable	11	399	–
Total liabilities		11,041	1,852
Equity			
Common shareholders' equity	9	599,735	518,815
		610,776	520,667

See accompanying notes.

Signed on behalf of the Board

V. P. Watsa
Director

Chris Hodgson
Director

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
for the years ended December 31, 2020 and 2019
(US$ thousands except per share amounts)

	Notes	2020	2019
Income			
Interest	7	18,727	22,606
Dividends	7	15	2,381
Net realized losses on investments	7	(208,462)	(4,838)
Net change in unrealized gains (losses) on investments	7	30,643	(73,223)
Net foreign exchange gains (losses)	7	(13,956)	6,832
		(173,033)	(46,242)
Expenses			
Investment and advisory fees	13	4,128	6,572
General and administration expenses	13, 15	9,528	3,677
Helios Transaction expenses	16	16,507	–
Interest expense	8	773	977
		30,936	11,226
Loss before income taxes		(203,969)	(57,468)
Provision for income taxes	11	2,677	3,731
Net loss and comprehensive loss		(206,646)	(61,199)
Net loss per share (basic and diluted)	10	$ (3.31)	$ (1.01)
Shares outstanding (weighted average)	10	62,406,662	60,688,854

See accompanying notes.

Consolidated Statements of Changes in Equity
for the years ended December 31, 2020 and 2019
(US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Contributed surplus	Retained earnings (deficit)	Common shareholders' equity
Balance as of January 1, 2020	310,078	300,000	(427)	–	(90,836)	518,815
Net loss	–	–	–	–	(206,646)	(206,646)
Issuance of shares (note 9)	135,395	139,904	–	–	–	275,299
Purchases for cancellation (note 9)	(4,810)	–	–	–	2,960	(1,850)
Purchases and amortization	–	–	5,865	–	–	5,865
Capital contributions (note 13)	–	–	–	8,855	–	8,855
Deemed distributions (note 13)	–	–	–	–	(603)	(603)
Balance as of December 31, 2020	440,663	439,904	5,438	8,855	(295,125)	599,735
Balance as of January 1, 2019	340,518	300,000	(364)	–	(37,027)	603,127
Net loss	–	–	–	–	(61,199)	(61,199)
Purchases for cancellation (note 9)	(34,408)	–	–	–	7,390	(27,018)
Purchases and amortization	–	–	(63)	–	–	(63)
Tax benefit on share issuance costs (note 11)	3,968	–	–	–	–	3,968
Balance as of December 31, 2019	310,078	300,000	(427)	–	(90,836)	518,815

See accompanying notes.

Consolidated Statements of Cash Flows
for the years ended December 31, 2020 and 2019
(US$ thousands)

	Notes	2020	2019
Operating activities			
Net loss		(206,646)	(61,199)
Items not affecting cash and cash equivalents:			
Net bond discount accretion		(1,592)	(2,359)
Capitalized interest on loans and bonds	6	(11,425)	(8,687)
Deferred income taxes	11	110	(114)
Amortization of share-based payment awards		5,926	108
Net realized losses on investments	7	208,462	4,838
Net change in unrealized (gains) losses on investments	7	(30,643)	73,223
Net foreign exchange (gains) losses	7	13,956	(6,832)
Net sales (purchases) of short term investments		104,095	(64,016)
Purchases of investments	6, 17	(71,154)	(74,141)
Disposals of investments	6, 17	20,000	20,875
Increase in restricted cash deposits in support of investments	13	(25)	(7,500)
Increase in term deposits in support of investments	13	(12,392)	–
Changes in operating assets and liabilities:			
Interest receivable		(3,126)	(3,363)
Accounts payable and accrued liabilities		6,685	(234)
Income taxes payable		779	(3,643)
Payable to related parties		2,105	(103)
Other		1,359	1,434
Cash provided by (used in) operating activities		26,474	(131,713)
Financing activities			
Borrowings:	8		
Repayment		–	(30,000)
Subordinate voting shares:	9		
Purchases for cancellation		(1,850)	(27,018)
Cash used in financing activities		(1,850)	(57,018)
Increase (decrease) in cash and cash equivalents		24,624	(188,731)
Cash and cash equivalents – beginning of year		44,334	230,858
Foreign currency translation		(2,906)	2,207
Cash and cash equivalents – end of year		66,052	44,334

See accompanying notes.

Index to Notes to Consolidated Financial Statements

1. Business Operations 24
2. Helios Transaction 24
3. Basis of Presentation 25
4. Summary of Significant Accounting Policies 25
5. Critical Accounting Estimates and Judgments 31
6. African Investments 34
7. Cash and Investments 49
8. Borrowings 53
9. Common Shareholders' Equity 53
10. Net Earnings (Loss) per Share 55
11. Income Taxes 56
12. Financial Risk Management 58
13. Related Party Transactions 67
14. Segment Reporting 72
15. General and Administration Expenses 72
16. Helios Transaction Expenses 73
17. Supplementary Cash Flow Information 73

Notes to Consolidated Financial Statements

for the years ended December 31, 2020 and 2019
(in US$ and thousands except share and per share amounts and as otherwise indicated)

1. Business Operations

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

Fairfax Financial Holdings Limited (''Fairfax'') provides certain services under a Management Services Agreement between HFP and Fairfax, effective December 8, 2020. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. HFA Topco, L.P. (''TopCo LP'' or the ''Portfolio Advisor''), an affiliate of Helios Holdings Limited (''HHL'') (together with one or more of its affiliates, as the context requires, the ''Helios Holdings Group''), is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. TopCo LP has appointed Helios Investment Partners LLP (the ''Manager''), a registered portfolio manager in the United Kingdom, as its sub-advisor. Both Fairfax and the Helios Holdings Group exert significant influence and, together, act as the ultimate controlling party of HFP, though there is no contractual arrangement requiring that Fairfax and the Helios Holdings Group concur on all decisions. Refer to note 13 for details on Fairfax's and the Helios Holdings Group's voting rights and equity interests in the company.

The company is federally incorporated and is domiciled in Ontario, Canada. The principal office of the company and Fairfax is located at 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7. The principal office of the Portfolio Advisor is located at De Capatan House, Grange Road, St Peter Port, Guernsey, GY1 2QG. The principal office of the Manager is located on the 2nd Floor, 12 Charles II Street, St James's, London, United Kingdom, SW1Y 4QU.

2. Helios Transaction

On December 8, 2020 the company closed the previously announced transaction with HHL, pursuant to which Helios Holdings Limited contributed its entitlement to cash flows arising from certain fee streams (as described below) to HFP in exchange for a 45.9% equity and voting interest in HFP (the ''Transaction''). Upon closing of the Transaction, the company was renamed Helios Fairfax Partners Corporation and its subordinate voting shares continued to be listed on the Toronto Stock Exchange. In December 2020, following completion of the Transaction, the TSX ticker for the company's subordinate voting shares was changed from FAH.U to HFPC.U.

Helios Investment Partners LLP is an Africa-focused private investment firm led and predominantly staffed by African professionals and manages geographically diversified portfolios of private equity and credit investments in over 30 African countries.

As consideration for a 45.9% equity and voting interest in HFP, Helios Holdings Limited contributed cash flows arising from the following fee stream entitlements:

- 100% of all management and other fees paid to Helios and its affiliates in connection with the management of any existing or future fund (including the management of HFP and its subsidiaries), less expenses, administrative fees, and other operation fees relating to the management of those funds;
- 25% of carried interest amounts generated by any existing fund managed by Helios or any of its affiliates, excluding Helios Investors IV, L.P.; and
- 50% of carried interest amounts generated by any future fund managed by Helios or any of its affiliates, including Helios Investors IV, L.P.

(Existing and future funds managed by Helios or any of its affiliates, are referred to as ''Helios Funds''.)

On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000. Net proceeds were comprised of $20,000 in cash and $20,000 in an interest-free

loan due from Fairfax no later than three years from closing of the Transaction (the ''Fairfax Loan'') (see note 13). In addition, Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee (see note 13). Fairfax has also guaranteed that the Atlas Mara Zambia Term Deposit of $12,392 plus accrued interest and $7,283 of restricted cash deposits at Grobank may be withdrawn at any time after December 8, 2021.

Upon closing of the Transaction, the company entered into an administration and investment advisory services agreement with TopCo LP (the ''Investment Advisory Agreement''), which appointed the Manager as its sub-advisor. The Investment Advisory Agreement replaced the previous investment advisory agreement (the ''Former Investment Advisory Agreement'') with Hamblin Watsa Investment Counsel Ltd. (''HWIC'' or the ''Former Portfolio Advisor''). The Portfolio Advisor has discretionary authority to negotiate and complete investments on behalf of the company. The Portfolio Advisor will request approval from the company's board of directors, by simple majority, prior to making any investment in excess of the greater of 10% of HFP's Net Asset Value and $50.0 million; and will not make any insurance-related investment without the prior written consent of Fairfax.

Upon closing of the Transaction, Tope Lawani and Babatunde Soyoye (the co-founders and Managing Partners of the investment advisor to the Helios Funds) were appointed as Co-Chief Executive Officers of HFP and Michael Wilkerson was appointed Executive Vice Chairman of HFP.

The company entered into the Management Services Agreement with Fairfax, pursuant to which Fairfax will provide certain services to the company and its subsidiaries on a two-year transitional basis (see note 13).

Upon closing of the Transaction, the company adopted a new special incentive plan, pursuant to which 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'') (see note 15).

3. Basis of Presentation

The company's consolidated financial statements for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Board (''IASB''). At December 31, 2020 the company has determined that it continues to meet the definition of an investment entity under IFRS (see note 4).

The consolidated balance sheets of the company are presented on a non-classified basis. Except for limited partnership investments, bonds, loans, common stocks, derivatives and guarantees, certain interest receivable balances, and deferred income taxes, all other assets expected to be realized and liabilities expected to be settled within the company's normal operating cycle of one year are considered current.

The preparation of the company's consolidated financial statements requires management to make a number of estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of income and expenses during the reporting periods covered by the consolidated financial statements and the related note disclosures. Critical accounting estimates and judgments are described in note 5.

These consolidated financial statements were approved for issue by the company's Board of Directors on March 5, 2021.

4. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these consolidated financial statements and the methods of computation have been consistently applied to all periods presented unless otherwise stated, and are as set out below.

Determination of investment entity status

An entity that meets the IFRS 10 *Consolidated Financial Statements* (''IFRS 10'') definition of an investment entity is required to measure its investments in subsidiaries at FVTPL rather than consolidate them (other than those subsidiaries that provide services to the company).

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. An investment entity may provide investment-related services, either directly or through a subsidiary, to third parties as well as to its investors, even if those activities are substantial to the entity, subject to

the entity continuing to meet the definition of an investment entity. The company continues to meet the definition of an investment entity, as its strategic objective of investing in African Investments and providing investment management services to investors for the purpose of generating returns in the form of long term capital appreciation, remains unchanged. The company has determined that SA Sub and Mauritius Sub continue to provide investment related services to the company and should continue to be consolidated, and that TopCo LP's investment-related services do not preclude HFP from meeting the definition of an investment entity as TopCo LP has appointed the Manager as its sub-advisor to HFP.

The company may from time to time seek to realize on any of its African Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the African Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private African Investments (''Private African Investments'', as disclosed later in note 6) either through initial public offerings or private sales. For publicly traded African Investments (''Public African Investments'', as disclosed later in note 6), exit strategies may include selling the investments through private placements or in public markets.

As a result of the closing of the Transaction on December 8, 2020 the company's determination of investment entity status was a critical accounting judgment and is discussed further in note 5.

Consolidation

Subsidiaries – A subsidiary is an entity over which the company has control. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As an investment entity the company is required to account for its investment in subsidiaries (Joseph Investment Holdings (''Joseph Holdings'')) at fair value through profit or loss (''FVTPL'') rather than by consolidation.

As SA Sub and Mauritius Sub continue to be consolidated, all intercompany balances, profits and transactions with these subsidiaries are fully eliminated.

Investments in associates and joint ventures – An associate is an entity over which the company has the ability to exercise significant influence, but not control, over the financial and operating policies. A joint venture is a joint arrangement whereby the decisions about the relevant activities require the unanimous consent of the parties sharing control and the parties have rights to the net assets of the arrangement. As an investment entity, the company accounts for its investments in associates and joint ventures (TopCo LP, Philafrica Foods Proprietary Ltd. (''Philafrica''), and GroCapital Holdings Proprietary Limited (''GroCapital Holdings'')) at FVTPL rather than under the equity method of accounting.

Foreign currency translation

Functional and presentation currency – The consolidated financial statements are presented in U.S. dollars which is the functional currency of the company and its consolidated subsidiaries.

Although the company's African Investments are denominated in various currencies, its primary financial reporting objective is to measure long term capital appreciation in U.S. dollars. Accordingly, the company presents its consolidated financial statements in U.S. dollars to provide comparability with other North American investment entities.

Foreign currency transactions – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net foreign exchange gains (losses) in the consolidated statements of earnings (loss) and comprehensive income (loss). Income and expenses are translated at the average rate of exchange for the period.

Consolidated statements of cash flows

The company's consolidated statements of cash flows are prepared in accordance with the indirect method, classifying cash flows by operating, investing and financing activities.

Cash and cash equivalents – Cash and cash equivalents consists of cash on hand, demand deposits with banks and other short term highly liquid investments with maturities of three months or less when purchased, and exclude cash that is restricted. The carrying value of cash and cash equivalents approximates fair value.

Restricted cash deposits – Restricted cash deposits consists of amounts required to be maintained on deposit for a fixed period of time with an African bank (see note 13). The carrying value of restricted cash deposits approximates fair value.

Total cash and investments

Total cash and investments include cash and cash equivalents, restricted cash deposits, term deposits, short term investments, limited partnership investments, loans, bonds, common stocks and derivatives and guarantees. Management determines the appropriate classifications of investments at their acquisition date.

Classification – Short term investments, limited partnership investments, loans, bonds, common stocks and derivatives and guarantees are classified at FVTPL. The company manages these investments on a fair value basis, using fair value information to assess investment performance and to make investment decisions.

Recognition and measurement – The company recognizes purchases and sales of investments on the trade date, which is the date on which the company commits to purchase or sell the asset. Transactions pending settlement are reflected on the consolidated balance sheet in other assets or in accounts payable and accrued liabilities. Transaction costs related to investments classified at FVTPL are expensed as incurred in the consolidated statements of earnings (loss) and comprehensive income (loss). The company recognizes cash and investments at fair value upon initial recognition.

To the extent that the exchange amount of an investment arising from a transaction with a related party in their capacity as a shareholder does not represent the fair value on initial recognition, the difference between fair value and the exchange amount, representing the unrealized gain (loss) on initial recognition, is recorded in common shareholders' equity.

Subsequent to initial recognition, investments classified at FVTPL are measured at fair value with changes in fair value reported in the consolidated statements of earnings (loss) and comprehensive income (loss) as income, comprised of interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments. Interest represents interest income on short term investments, loans and bonds calculated using the effective interest method, net of investment expenses and includes bank interest. Calculation of a debt instrument's effective interest rate does not consider expected credit losses and requires estimates of future cash flows considering all contractual terms of the financial instrument including the stated interest rate, discount or premium, and any origination or structuring fees. Interest receivable, recognized to the extent that interest on the debt instrument is recoverable, is shown separately on the consolidated balance sheets based on the debt instrument's stated rate of interest. Dividends represent dividends received on common and preferred stock holdings and are recognized when the company's right to receive payment is established. Distributions from limited partnership interests are recognized based on their nature when the company's right to receive payment is established. All other changes in fair value are reported in net realized gains (losses) on investments and net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss) and comprehensive income (loss). For short term investments, loans and bonds, the sum of interest income and net realized gains (losses) on investments and net change in unrealized gains (losses) on investments is equal to their total change in fair value for the reporting period.

Interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments are reported as operating activities in the consolidated statements of cash flows.

Derecognition – An investment is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the company has transferred substantially all the risks and rewards of ownership or when it is determined further recovery is nil.

Short term investments – Highly liquid debt instruments with maturity dates between three and twelve months when purchased are classified as short term investments.

Loans – Loans are secured lending arrangements with public or private African businesses that qualify as African Investments as disclosed in note 6. The carrying value of loans excludes the debt instrument's accrued interest receivable at the stated rate of interest.

Bonds – Debt instruments with maturity dates greater than twelve months when purchased, or illiquid debt instruments with maturity dates of less than twelve months when purchased, are classified as bonds. The carrying value of bonds excludes the debt instrument's accrued interest receivable at the stated rate of interest.

Derivatives – Derivatives represent forwards contracts and warrants, which derive their value primarily from changes in underlying equity instruments. The fair value of derivatives in a gain position are presented on the consolidated balance sheets within total cash and investments, as derivatives. The fair value of derivatives in a loss position, if any, are presented on the consolidated balance sheets in derivative obligation. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the fair value of the contract at each reporting date. Changes in the fair value of derivatives are recorded within net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss) and comprehensive income (loss).

Financial guarantees – Financial guarantee contracts are commitments to reimburse the holder for potential losses the holder incurs because a specified debtor fails to meet its debt obligations, and are measured at fair value.

Determination of fair value – Fair values for substantially all of the company's investments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of investments are based on bid prices for financial assets and ask prices for financial liabilities. The company categorizes its fair value measurements using a three level hierarchy in accordance with IFRS (''fair value hierarchy'') as described below:

Level 1 – Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of the company's Public African Investments are based on published quotes in active markets.

Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs.

Level 3 – Inputs include unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date. The fair values of the company's Private African Investments are based on discounted cash flow analyses, expected recovery and industry accepted discounted cash flow and option pricing models which utilize inputs that are not market observable such as after-tax discount rates, discount rates, target exit timings and multiples of invested capital, growth in assets under management, long term pre-tax profit margins, long term growth rates, expected recovery rates, historical share price volatilities, share prices and credit spreads.

Transfers between fair value hierarchy categories are considered effective from the beginning of the reporting period in which the transfer is identified.

Valuation techniques used by the company's independent pricing service providers and third party broker-dealers include use of prices from similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The company assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

Net realized gains (losses) on investments, and Net change in unrealized gains (losses) on investments

Where a financial instrument continues to be held by the company at the end of a reporting period, changes in the fair value of that instrument during the reporting period, excluding those changes reported as interest and dividends, are presented in net change in unrealized gains (losses) on investments. On disposition of that financial instrument, its inception-to-date net gain (loss), excluding those changes previously reported as interest and dividends, is presented as net realized gains (losses) on investments in the consolidated statements of earnings (loss) and comprehensive income (loss). The cumulative unrealized net gain (loss) recognized in prior periods on that financial instrument is then reversed in net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss) and comprehensive income (loss). The sum of the net realized gain (loss) and the cumulative reversal of prior period unrealized gains (losses) equals that financial instrument's net gain (loss) on investment for the current reporting period.

Performance fees

Performance fees are estimated and accrued at the end of each reporting period within the calculation period. An estimate is also made for the number of shares to be issued, if any, on settlement for the purposes of the calculation of diluted earnings per share based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the reporting period. The amount of the performance fee payable and the subordinate voting shares to be issued which are determined at the end of each calculation period, if any, may differ when performance fee is settled in accordance with the terms as disclosed in note 13.

Income taxes

The provision for income taxes for the period comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of earnings (loss) and comprehensive income (loss), except to the extent that they relate to items recognized directly in equity. In those cases, the related taxes are also recognized directly in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognized for temporary differences between the financial statements carrying amounts of assets and liabilities and their respective income tax bases at current substantively enacted tax rates. Changes in deferred income tax are included in the provision for income taxes in the consolidated statements of earnings (loss) and comprehensive income (loss).

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Carry forwards of unused losses or unused tax credits are tax effected and recognized as deferred tax assets when it is probable that future taxable profits will be available against which these losses or tax credits can be utilized.

A deferred income tax liability has not been recognized on unremitted earnings from the company's subsidiaries' holdings of African Investments where the company has determined it is not probable that those unremitted earnings will be repatriated in the foreseeable future.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and there is a legally enforceable right of offset.

Borrowings

Borrowings are initially recognized at fair value, net of incremental and directly attributable transaction costs, and subsequently measured at amortized cost. Interest expense on borrowings is recognized in the consolidated statements of earnings (loss) and comprehensive income (loss) using the effective interest method. Borrowings are derecognized when extinguished, with any gain or loss on extinguishment recognized in other expenses in the consolidated statements of earnings (loss) and comprehensive income (loss).

Equity

Common stock issued by the company is classified as equity when there is no contractual obligation to transfer cash or other financial assets to the holder of the shares. Common stock issued in a private placement is valued based on the fair value of consideration received provided it can be reliably measured and readily determined. Incremental costs directly attributable to the issue or purchase for cancellation of equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of the company's equity instruments are recognized directly in equity.

Share-based payments

The company has restricted share plans or equivalent for its directors and employees with vesting periods of up to five years from the date of grant. In addition, the company granted share option awards to the SIP Recipients on the closing of the Transaction, which vest immediately. The fair values of restricted share and option awards on the grant date are amortized to salaries and employee benefit and special incentive plan expenses, included in general and administration expenses in the consolidated statements of earnings (loss) and comprehensive income (loss), over the vesting period, with a corresponding increase in share-based payments, net, in the consolidated statements of changes in equity. At each balance sheet date, the company reviews its estimates of the number of restricted share awards expected to vest.

Net earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of subordinate and multiple voting shares issued and outstanding during the period.

Net earnings (loss) per diluted share

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of subordinate and multiple voting shares outstanding during the period for the dilutive effect, if any, of the potentially issuable subordinate voting shares relating to share option awards and the contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax or the Helios Holdings Group (see note 13) that would have been outstanding during the period had all potential subordinate voting shares been issued at the beginning of the period.

New accounting pronouncement adopted in 2020

Conceptual Framework for Financial Reporting (''Conceptual Framework'')
The revised Conceptual Framework includes revised definitions of an asset and a liability as well as new guidance on measurement, derecognition, presentation and disclosure. It does not constitute an accounting pronouncement and did not result in any immediate change to IFRS, and will be used by the IASB and IFRS Interpretations Committee in setting future standards. Adoption of the revised Conceptual Framework on January 1, 2020 did not have an impact on the company's consolidated financial statements. The revised Conceptual Framework will apply when the company has to develop an accounting policy for an issue not addressed by IFRS.

Definition of Material (Amendments to IAS 1 and IAS 8)
The amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the definition of ''material''. Prospective adoption of these amendments on January 1, 2020 did not have a significant impact on the company's consolidated financial statements.

New accounting pronouncements issued but not yet effective

The following new standards and amendments have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2020. The company does not expect to adopt any of them in advance of their respective effective dates.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
On August 27, 2020 the IASB issued amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* to address financial statement impacts and practical expedients when an existing interest rate benchmark such as LIBOR is replaced with an alternative reference rate. The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively without restatement of prior periods. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
On May 14, 2020 the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to clarify the types of costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated and instead the cumulative effect of applying the amendments is recognized as an adjustment to opening equity at the date of initial application. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

Annual Improvements to IFRS Standards 2018 – 2020
On May 14, 2020, the IASB issued amendments to certain IFRS Standards as a result of its annual improvements project, which includes an amendment to IFRS 9 *Financial Instruments* to clarify which fees an entity includes when it applies the '10 per cent test' in assessing whether to derecognize a financial liability. The amendment to IFRS 9 is applied prospectively on or after January 1, 2022 and is not expected to have a significant impact on the company's consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
On January 23, 2020 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify the criteria for classifying a liability as non-current which was to be applied retrospectively on or after January 1, 2022. On July 15, 2020 the IASB issued another amendment to IAS 1 *Presentation of Financial Statements* to defer the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023. The company is currently evaluating the expected impact of these amendments on its consolidated financial statements.

5. Critical Accounting Estimates and Judgments

In the preparation of the company's consolidated financial statements, management has made a number of critical accounting estimates and judgments which are discussed below. Estimates and judgments 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 broad effects of the COVID-19 pandemic on the company are described in note 12 and the effects on the company's development of critical accounting estimates during 2020 are described below.

Where estimates were made, the reported amounts of assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future earnings were known at the time the consolidated financial statements were prepared.

Helios Transaction

As a result of the closing of the Transaction on December 8, 2020, the company made a number of critical accounting estimates and judgments which are discussed below.

Determination of Investment Entity Status

Upon closing of the Transaction, the company exercised judgment and concluded that it continues to meet the definition of an investment entity. The company's conclusion was supported by the following key factors: (i) the company's strategic objective of investing in African Investments and providing investment management services to investors for the purpose of generating returns in the form of long term capital appreciation remains unchanged; (ii) the company's most indicative measure of performance continues to be the fair value of its underlying investments; (iii) the company's interests in TopCo LP Class A and Class B Limited Partnership units entitle it to Carried Interest Proceeds and Net Management Fees (defined later in note 6) respectively from current and future Helios Funds, which are solely driven by the asset management activities of the Helios Holdings Group, for which the company does not have any performance obligations; (iv) TopCo LP was formed to allow the company to receive cash flows from its entitlement to Carried Interest Proceeds and Net Management Fees from the underlying Helios Funds and, while the company does not have exit strategies for its TopCo LP Class A and Class B Limited Partnership Interests, the underlying Helios Funds have exit strategies in place for each of their underlying portfolio investments; and (v) TopCo LP's investment-related services do not preclude HFP from meeting the definition of an investment entity as TopCo LP has appointed the Manager as its sub-advisor to HFP.

The company's assessment of its investment entity status requires an ongoing assessment of the company's strategic objectives, business activities, and its method of measuring and evaluating its performance. Accordingly, the company's investment entity status may change in future reporting periods based on the facts and circumstances at that time.

Valuation of TopCo LP Class A and Class B Limited Partnership Interests

As discussed earlier in note 4, common stock issued in a private placement are valued based on the fair value of consideration received provided it can be reliably measured and readily determined. Upon closing of the Transaction the company completed a private placement of multiple voting shares and subordinate voting shares to the Helios Holdings Group, representing an aggregate 45.9% economic and voting interest in the company, as consideration for the acquisition of TopCo LP Class A and Class B Limited Partnership Interests. The company exercised judgment in determining that the fair value of TopCo LP Class A and Class B Limited Partnership Interests was the appropriate measure of the fair value of the Transaction given the company's multiple voting shares are not publicly traded and the size of the placement and terms of the Transaction implied significant voting power and managerial influence conferred to the Helios Holdings Group which was not reflected in the traded share price of the company's subordinate voting shares at December 8, 2020.

The valuation of the company's investment in TopCo LP Class A Limited Partnership Interest at December 8, 2020 and December 31, 2020 was based on a discounted cash flow methodology using free cash flow forecasts of Carried Interest Proceeds derived from underlying portfolio exit assumptions developed by the Helios Holdings Group in the fourth quarter

of 2020. These assumptions are dependent on the business plans and exit strategies of the underlying investments within the Helios Funds and primarily comprised of target exit timings and multiples of invested capital. The development of these exit assumptions was subject to a higher degree of estimation uncertainty due to uncertainties over the continued business disruptions caused by the COVID-19 pandemic which included the duration and extent of lockdowns and travel restrictions imposed by local and regional governments, market volatility and illiquidity, and the economic impacts of the pandemic on the underlying portfolio investments in the short term. The increased uncertainties were reflected within the company's internal valuation model primarily through revisions to free cash flow forecasts to reflect delayed exit timings for certain of the portfolio investments within the Helios Funds and the use of higher discount rates. These uncertainties were also partially addressed by the following factors: (i) the Helios Holdings Group continually evaluates the exit forecasts on the Helios Funds which includes a review of the exit strategy, exit schedule, and progress to date for each portfolio investment; and (ii) substantially all of the underlying investee companies within the Helios Funds were classified as essential businesses during the COVID-19 pandemic.

The valuation of the company's investment in TopCo LP Class B Limited Partnership Interest at December 8, 2020 and December 31, 2020 was based on a discounted cash flow methodology using free cash flow forecasts developed by the Helios Holdings Group in the fourth quarter of 2020. The primary drivers of the free cash flow estimates are the projected growth in assets under management over eight years through the creation of new Helios private equity, infrastructure, and real estate funds, and the expected use of operating leverage to grow profit margins. The development of these free cash flow forecasts was subject to a higher degree of estimation uncertainty that was primarily driven by a forecasting period of eight years, the impacts of government-mandated travel restrictions on current fundraising activities, and forecasted growth in assets under management due to expected demand for future Africa-focused alternative asset funds. A forecasting period of 8 years was used due to the inherent long-term nature of Africa-focused private equity, infrastructure and real estate funds, which require additional time to fundraise, deploy capital and prepare investments for exit. These factors contributed to a higher degree of estimation uncertainty in the free cash flows estimates which was primarily reflected through higher discount rates and in the estimation of the long term pre-tax profit margin expected to be achieved at the end of the forecasting period. As a result of the continued business disruptions caused by the COVID-19 pandemic, free cash flow forecasts reflected increased market volatility and government-mandated travel restrictions in the short term primarily through an expected delay in fundraising activities.

Valuation of Private African Investments

The valuation of the company's Private African Investments are assessed at the end of each reporting period.

For each Private African Investment acquired during the reporting period, the transaction price is generally considered to be representative of fair value, subject to changes in market conditions and factors specific to the investee. The company monitors various factors impacting the businesses of its investees and the transaction price of a Private African Investment may no longer be an appropriate estimate of fair value upon occurrence of certain events such as significant variances from budgeted earnings; changes in market conditions; changes to the regulatory environment; movements in interest rates, foreign exchange rates and other market variables; and the passage of time.

Estimates and judgments for Private African Investments 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 and Fairfax 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 and third party broker-dealers are evaluated by the company for reasonableness. The company does not use independent valuation experts to determine the fair value of its Private African Investments. The company's Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the company's Audit Committee.

The development of unobservable inputs included added uncertainty related to the economic disruption caused by the ongoing COVID-19 pandemic. Estimates of the amount and timing of future cash flows, exit multiples of invested capital, long term profit margins, discount rates, growth rates, and other inputs incorporated into fair value measurements of Private African Investments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic, including further actions that may be taken by governments to contain it and the timing of the re-opening of the economy in various parts of the world. The company has assumed that the economic impacts of COVID-19 will remain for the duration of government mandated restrictions by jurisdiction as currently known, with gradual lifting of those restrictions. The uncertainty in those assumptions has been incorporated into the company's valuations of

Private African Investments primarily through wider credit spreads, higher risk premiums and changing the valuation technique as applicable. The company changed its valuation techniques during 2020 for the PGR2 Loan, the Philafrica Facility, the Atlas Mara Bonds, and the Atlas Mara Facility to an expected recovery approach to reflect the decline in collateral value, and the liquidity pressures caused by the economic and social impacts of COVID-19 on the underlying businesses of its investees which have either entered business rescue or debt standstill agreements. The company's estimates of the expected recovery of the PGR2 Loan, the Philafrica Facility, the Atlas Mara Bonds, and the Atlas Mara Facility are subject to added uncertainty arising from the estimation of collateral value expected to be recovered, expected timing and proceeds from planned asset sales at the investee companies and the duration and outcome of debt restructuring and business rescue negotiations. Additional volatility in the fair values of Private African Investments may arise in future periods if actual results differ materially from the company's estimates.

Notwithstanding the rigour of the company's valuation processes, the valuations of Private African Investments, including the company's valuations of (i) TopCo LP Class A and Class B Limited Partnership Interests, its indirect equity interest in AGH, and Philafrica common shares, which use discounted cash flow analyses; (ii) the CIG Loan and Nova Pioneer Bonds, which use industry accepted discounted cash flow and option pricing models; and (iii) the PGR2 Loan, the Philafrica Facility, the Atlas Mara Bonds, and the Atlas Mara Facility, which use expected recovery models, inherently have estimation uncertainty and different assumptions could lead to materially different fair values. Significant judgments and assumptions are required to determine the discounted cash flow, including multi-year free cash flow forecasts, discount rates and long term growth rates, industry accepted discounted cash flow and option pricing models which use credit spreads, and expected recovery models which use expected recovery rates. Discounted cash flows are subject to sensitivity analysis (see note 7) given the uncertainty in preparing forecasts. Refer to notes 6 and 7 for additional disclosure related to the valuation of the company's Private African Investments.

Income taxes

The company is subject to income taxes in Canada, Mauritius and South Africa, and the company's determination of its tax liability or receivable is subject to review by those applicable tax authorities. The company exercised judgment in assessing that unremitted earnings related to its subsidiaries holdings of African Investments, as disclosed in note 11, are not expected to result in taxable amounts as the company has determined it is not probable that those unremitted earnings will be repatriated in the foreseeable future; as a consequence no tax has been recorded in the consolidated financial statements on these unremitted earnings. While the company believes its tax positions to be reasonable, where the company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience. The company engages specialist tax personnel responsible for assessing the income tax consequences of planned transactions and events, and undertaking the appropriate tax planning.

Realization of deferred income tax assets is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and temporary differences exist. Tax legislation of each jurisdiction in which the company operates is interpreted to determine the provision for (recovery of) income taxes and expected timing of the reversal of deferred income tax assets and liabilities. The company exercised judgment that certain carryforwards of unused losses disclosed in note 11 should not be recognized as an asset as it was considered not probable that those losses could be utilized by the company.

Determination of functional currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The company expects its foreign currency exposure to increase, and the composition of that exposure to evolve as new African Investments are completed across more African countries and currencies. When the functional currency of an entity is not evident, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the entity's underlying transactions, events, and conditions. A significant portion of the company's investments and transactions, as well as the company's net proceeds pursuant to the offerings and borrowing, and significant expenses (including investment and advisory fees, and performance fees, if any) are denominated in the U.S. dollar. The performance and liquidity of the company are measured and evaluated in the U.S. dollar. Accordingly, management has determined that the U.S. dollar is the functional currency of the company.

6. African Investments

Throughout the company's consolidated financial statements for the year ended December 31, 2020, the term ''African Investments'' refers to deployed capital invested in Public and Private African Investments as disclosed within this note.

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

A summary of changes in the fair value of the company's Public and Private African Investments during 2020 and 2019 were as follows:

	2020							
	Balance as of January 1	Purchases	Sales/ conversions/ repayments	Accretion of discount/ (amortization of premium)[1]	Net realized losses on investments	Net change in unrealized gains (losses) on investments[2]	Net foreign exchange gains (losses) on investments	Balance as of December 31
Public African Investments:								
Common stocks:								
Atlas Mara[3]	78,075	–	(29,142)	–	(141,345)	92,412	–	–
CIG[4]	19,562	866	–	–	(45,953)	29,470	(3,945)	–
Other	–	10,053	–	–	–	2,221	2,562	14,836
Total Public African Investments	97,637	10,919	(29,142)	–	(187,298)	124,103	(1,383)	14,836
Private African Investments:								
Limited partnership investments:								
TopCo LP Class A Limited Partnership Interest[5]	–	88,465	–	–	–	–	–	88,465
TopCo LP Class B Limited Partnership Interest[5]	–	186,834	–	–	–	–	–	186,834
	–	275,299	–	–	–	–	–	275,299
Loans:								
CIG Loan	20,744	–	–	123	–	(585)	(1,028)	19,254
PGR2 Loan[6]	21,240	1,358	–	–	(22,356)	1,433	(1,675)	–
Atlas Mara Facility[7][8]	–	42,095	–	346	–	(12,095)	–	30,346
Philafrica Facility[9]	–	5,950	–	80	–	36	1,098	7,164
	41,984	49,403	–	549	(22,356)	(11,211)	(1,605)	56,764
Bonds:								
Atlas Mara 11.0% Convertible Bonds[10]	18,296	2,044	–	(5)	–	(17,893)	–	2,442
Atlas Mara 7.5% Bonds	18,431	–	–	748	–	787	–	19,966
Nova Pioneer Bonds[11]	42,093	5,107	–	151	–	(10,930)	–	36,421
	78,820	7,151	–	894	–	(28,036)	–	58,829
Common stocks:								
Indirect equity interest in AGH[12]	104,976	10,132	–	–	–	(43,836)	(7,062)	64,210
Philafrica	19,271	–	–	–	–	(9,090)	(1,116)	9,065
GroCapital Holdings	10,328	4,974	–	–	–	(13,761)	(142)	1,399
	134,575	15,106	–	–	–	(66,687)	(8,320)	74,674
Derivatives:								
Atlas Mara Warrants	83	–	–	–	(2,324)	2,241	–	–
Nova Pioneer Warrants	1,458	–	–	–	(1,285)	(173)	–	–
	1,541	–	–	–	(3,609)	2,068	–	–
Total Private African Investments	256,920	346,959	–	1,443	(25,965)	(103,866)	(9,925)	465,566
Total African Investments	354,557	357,878	(29,142)	1,443	(213,263)	20,237	(11,308)	480,402

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

(2) For all African Investments, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period, with the exception of reversal of prior period unrealized losses (gains) recorded on sale of the Atlas Mara common shares, and write-down of CIG common shares, the PGR2 Loan, Atlas Mara Warrants, and Nova Pioneer Warrants.

(3) In connection with the Transaction (see note 2), the company entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, giving rise to the Atlas Mara Forward Derivative discussed later in note 13.

(4) During the fourth quarter of 2020, CIG voluntarily entered business rescue and suspended trading of its common shares on the Johannesburg Stock Exchange.

(5) Acquired in 2020 as part of the Transaction, in consideration for multiple voting shares and subordinate voting shares issued to the Helios Holdings Group.

(6) Purchases in 2020 of $1,358 related to capitalized interest.

(7) Purchases in 2020 included $2,588 related to capitalized interest.

(8) In connection with the Transaction (see note 2), Fairfax guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee discussed later in note 13.

(9) Purchases in 2020 included $328 related to capitalized interest.

(10) Purchases in 2020 of $2,044 related to capitalized interest.

(11) Purchases in 2020 of $5,107 related to capitalized interest.

(12) Invested through the company's ownership in and shareholder loan to Joseph Holdings.

	2019							
	Balance as of January 1	**Purchases**	**Sales/ conversions/ repayments**	**Accretion of discount/ (amortization of premium)[(1)]**	**Net realized loss on investments**	**Net change in unrealized gains (losses) on investments[(2)]**	**Net foreign exchange gains (losses) on investments**	**Balance as of December 31**
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	–	–	–	–	(41,017)	–	78,075
CIG[(3)]	3,886	44,974	–	–	–	(29,436)	138	19,562
Other[(4)]	28	–	–	–	–	(24)	(4)	–
Total Public African Investments	123,006	44,974	–	–	–	(70,477)	134	97,637
Private African Investments:								
Loans:								
AGH Facility	–	12,813	(12,939)	257	–	–	(131)	–
CIG Loan	21,068	–	–	97	–	(996)	575	20,744
PGR2 Loan[(5)]	17,527	2,943	–	–	–	112	658	21,240
	38,595	15,756	(12,939)	354	–	(884)	1,102	41,984
Bonds:								
Atlas Mara 11.0% Convertible Bonds[(6)]	16,334	1,845	–	(80)	–	197	–	18,296
Atlas Mara 7.5% Bonds	17,499	–	–	762	–	170	–	18,431
Nova Pioneer Bonds[(7)]	26,023	12,620	–	103	–	3,347	–	42,093
	59,856	14,465	–	785	–	3,714	–	78,820
Common stocks:								
Indirect equity interest in AGH[(8)]	111,888	–	(7,936)	–	–	(1,239)	2,263	104,976
Philafrica	23,463	–	–	–	–	(4,841)	649	19,271
GroCapital Holdings	11,927	2,288	–	–	–	(4,285)	398	10,328
	147,278	2,288	(7,936)	–	–	(10,365)	3,310	134,575
Derivatives:								
Atlas Mara Warrants	1,016	–	–	–	–	(933)	–	83
Nova Pioneer Warrants	1,001	506	–	–	–	(49)	–	1,458
	2,017	506	–	–	–	(982)	–	1,541
Derivative obligation:								
CIG forward derivative liability[(3)]	(5,724)	–	4,839	–	(4,839)	5,724	–	–
Total Private African Investments	242,022	33,015	(16,036)	1,139	(4,839)	(2,793)	4,412	256,920
Total African Investments	365,028	77,989	(16,036)	1,139	(4,839)	(73,270)	4,546	354,557

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

(2) For all African Investments, 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 $5,724 reversal of the prior period unrealized loss upon settlement of the CIG forward derivative liability.

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

(4) Comprised of common shares of a public company listed on the Johannesburg Stock Exchange. During the first quarter of 2019 the common shares of the public company were de-listed.

(5) Purchases in 2019 of $2,943 related to capitalized interest.

(6) Purchases in 2019 of $1,845 related to capitalized interest.

(7) Purchases in 2019 included $3,899 related to capitalized interest.

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

Public African Investments

The fair values of HFP's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of CIG common shares, for which trading was voluntarily suspended effective November 25, 2020.

Investment in Atlas Mara Limited (Common Shares)

Atlas Mara Limited (''Atlas Mara'') is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

The company's investment in Atlas Mara is comprised of debt instruments and warrants classified as Level 3 in the fair value hierarchy. The company sold its Atlas Mara common shares to Fairfax on December 7, 2020 prior to closing of the Transaction (described below). The debt instruments and warrants are discussed in the Private African Investments section under the heading Investment in Atlas Mara Limited (Debt Instruments and Warrants) later in note 6.

The company entered into related party transactions with Atlas Mara, comprised of the Atlas Mara Zambia Term Deposit and a financial guarantee, which are discussed later in note 13.

In connection with the Transaction, the company entered into related party transactions with Fairfax with respect to the company's investments in Atlas Mara common shares and the Atlas Mara Facility, which are discussed later in note 13.

Atlas Mara Common Shares

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

In connection with the Transaction (see note 2), the company entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for proceeds of $40,000, which gave rise to the Atlas Mara Forward Derivative discussed later in note 13. On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000.

On the sale of Atlas Mara common shares the company recorded a net loss on investments of $48,933 which was comprised of: (i) an inception to date realized loss of $141,345 recorded in net realized losses on investments; and (ii) a reversal of prior period unrealized losses of $92,412 recorded in net change in unrealized gains on investments. Net proceeds were comprised of $20,000 in cash and $20,000 in the interest-free Fairfax Loan due from Fairfax no later than three years from closing of the Transaction. The Fairfax Loan is recorded in loans within the consolidated balance sheet, discussed later in note 13.

At December 31, 2019 the fair value of the company's investment in Atlas Mara common shares was $78,075, comprised of 71,958,670 common shares representing a 42.4% equity interest. The changes in fair value of the company's investment in Atlas Mara in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

Investment in Consolidated Infrastructure Group Limited (Common Shares)

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

CIG Common Shares

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

On January 4, 2019 upon closing of the previously announced CIG Rights Offer the company acquired 178,995,353 common shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696.0 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Investment in Consolidated Infrastructure Group Limited (Debt Instrument and Derivative Obligation) later in note 6) of $4,839 (67.7 million South African rand).

In December 2019 the company acquired an additional 867,841 common shares of CIG for net consideration of $69 (1.0 million South African rand). In 2020 the company acquired an additional 20,126,948 common shares of CIG for net consideration of $866 (14.9 million South African rand). At December 31, 2020 the company held 215,517,270 common shares of CIG, representing a 54.4% equity interest in CIG for net consideration of $49,881 (700.6 million South African rand).

On October 23, 2020 the company terminated the appointment of its nominee directors from the board of directors of CIG. On November 9, 2020 CIG commenced voluntary business rescue proceedings. As a result of its voluntary business rescue, on November 25, 2020 CIG announced that it had applied to the Johannesburg Stock Exchange to voluntarily suspend trading in CIG common shares. The company does not expect to recover any of its initial investment in CIG common shares.

At December 31, 2020 the fair value of the company's investment in CIG common shares was nil and in 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $20,428 relating to the CIG common shares, which was comprised of: (i) an inception to date realized loss of $45,953 recorded in net realized losses on investments; (ii) a reversal of prior period unrealized losses of $29,470 recorded in net change in unrealized gains on investments; and (iii) net foreign exchange losses of $3,945.

At December 31, 2019 the fair value of the company's investment in CIG common shares was $19,562, comprised of 195,390,322 common shares representing a 49.3% equity interest.

The changes in fair value of the company's investment in CIG common shares in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

Investment in Other Public African Investments

In April 2020 the company acquired less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange (investment in ''Other Public African Investments''), for aggregate cash consideration of $10,053 (185.3 million South African rand).

At December 31, 2020 the fair value of the company's investment in the Other Public African Investments was $14,836. The changes in fair value of the company's investment in the Other Public African Investments in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

Private African Investments

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

Investment in TopCo LP

TopCo LP is a limited partnership established under the laws of Guernsey and is controlled by its general partner, HFA GP (Guernsey) Limited, an affiliate of the Helios Holdings Group. TopCo LP was formed as the investment vehicle through which HFP will receive cash flows from its entitlement to certain Helios fee streams. TopCo LP is the portfolio advisor of the company and its consolidated subsidiaries and has entered into a sub-advisory agreement with the Manager to provide the investment and advisory services to HFP. TopCo LP will earn investment advisory fees from HFP. Further details on the company's transactions with TopCo LP are discussed later in note 13.

Immediately prior to the closing of the Transaction, TopCo LP was admitted as a limited partner of the Carried Interest Recipients, defined below, entitling it to its share of the carried interest earned on Helios Funds by way of distributions arising from the Carried Interest Recipients. TopCo LP also entered into contractual arrangements with certain affiliates of the Helios Holdings Group, entitling it to the management fees earned on the Helios Funds.

On December 8, 2020, pursuant to the terms of the purchase and sale agreement entered into on July 10, 2020, HFP acquired all of the issued and outstanding TopCo LP Class A and Class B Limited Partnership Interests from HHL and Helios Holdings Partners Limited (''HHPL'') for $88,465 and $186,834 respectively, in exchange for 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP issued to HHL and HHPL, representing 45.9% of the equity and voting interest in HFP. Immediately following the closing of the Transaction, each of HHL and HHPL transferred the HFP shares to HFP Investment Holdings SARL (''Principal Holdco''), a Luxembourg holding company, indirectly owned by Tope Lawani and Babatunde Soyoye. HFP may not transfer or otherwise dispose of its TopCo LP Class A and Class B

Limited Partnership Interests without consent from the general partner of TopCo LP. TopCo LP reports its financial performance in U.S. dollars.

TopCo LP Class A Limited Partnership Interest

TopCo LP is a limited partner of Helios Investors Genpar, L.P., HIP Equity II, L.P., HIP Equity III, L.P. and HIP Equity IV, L.P. (collectively, the ''Carried Interest Recipients'') and as such is entitled to receive Carried Interest Proceeds. Carried Interest Proceeds include 25% of carried interest amounts generated by any existing fund managed by Helios or any of its affiliates, excluding Helios Investors IV, L.P.; and 50% of carried interest amounts generated by any future fund managed by Helios or any of its affiliates, including Helios Investors IV, L.P. HFP's TopCo LP Class A Limited Partnership Interest entitles HFP to receive the Carried Interest Proceeds received by TopCo LP 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 HFP has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts required by each Helios Fund in accordance with their respective governing documents.

At December 8, 2020 the company estimated the fair value of its TopCo LP Class A Limited Partnership Interest using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed discount rates ranging from 21.0% to 27.0%, target exit multiples of invested capital averaging 2.1x to 2.6x across the existing Helios Funds, and forecasted exit dates ranging from 2021 to 2024 for Helios Investors II, L.P. and Helios Investors III, L.P., and from 2022 to 2027 for Helios Investors IV, L.P. At December 8, 2020 free cash flow forecasts were based on estimates of Carried Interest Proceeds derived for each fund in accordance with waterfall provisions, prepared in the fourth quarter of 2020 by Helios' management.

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

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are the exit assumptions on Helios Funds' underlying portfolio investments, including the planned exit strategy, target exit multiples of invested capital and timing of exit. The target exit multiple of invested capital for an underlying portfolio investment is equal to the fund's expected total proceeds divided by the expected total cost from initial investment to exit. Carried Interest Proceeds which may arise in future Helios Funds have been excluded from free cash flow estimates. Free cash flow estimates are evaluated net of income taxes based on HFP's Canadian marginal tax rate for capital gains. 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 Helios Funds and their underlying investments at December 31, 2020 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 December 8, 2020:

			Method of valuing underlying portfolio investments		Model inputs:			
Helios Private Equity Fund	**Vintage Year**	**Committed Capital**	**Traded share price**	**Internal valuation model**	**Target exit year**	**Average target exit multiple of invested capital**	**HFP's share of carried interest**	**Fair value of carried interest to HFP**
Helios Investors, L.P. ("Helios Fund I")[(1)]	2006	304,400	–%	100.0%	2021	2.1x	25%	5,812
Helios Investors II, L.P. ("Helios Fund II")[(2)]	2009	908,500	54.0%	46.0%	2021-2023	2.6x	25%	34,078
Helios Investors III, L.P. ("Helios Fund III")[(3)]	2014	1,117,000	16.1%	83.9%	2021-2024	2.6x	25%	48,119
Helios Investors IV, L.P. ("Helios Fund IV")[(4)]	2020	237,560	–%	100.0%	2022-2027	2.6x	50%	456
								88,465

(1) *Helios Fund I is a private equity fund domiciled in the Cayman Islands that was formed in 2006 with the purpose of investing in companies that operate primarily in Sub-Saharan Africa. At December 31, 2020 Helios Fund I was invested in a private company operating in the telecommunication sector, which is expected to be fully exited in 2021 at which time Helios Fund I will close. In the third quarter of 2020, Helios Fund I distributed shares of a public company operating in the fuel distribution sector across Africa to its limited partners and carried interest holders as a distribution in specie. The company is entitled to receive these shares, the value of which is the primary driver of the fair value of the carried interest component of Helios Fund I, in addition to cash distributions of Carried Interest Proceeds from Helios Fund I.*

(2) *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 December 31, 2020 the underlying portfolio investments in Helios Fund II were primarily comprised of investments in: (i) a public company operating in the fuel distribution sector across Africa (28.9% of portfolio); (ii) a private company offering electronic payment processing services in Nigeria (24.2% of portfolio); (iii) a public company operating in the telecommunication infrastructure sector across Africa (23.6% of portfolio); and (iv) a private company operating in the financial services sector across Africa (9.2% of portfolio).*

(3) *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 December 31, 2020 the underlying portfolio investments in Helios Fund III were primarily comprised of investments in: (i) a private company operating in the gas distribution sector in Nigeria (17.0% of portfolio); (ii) a public company providing electronic payment processing services in Egypt (14.0% of portfolio); (iii) a private company operating in the consumer goods sector across Africa (12.4% of portfolio); (iv) a private company operating in the financial services sector across Africa (11.4% of portfolio); (v) a private company that operates a liquified natural gas terminal in Ghana (8.2% of portfolio); (vi) a private company that imports and distributes agricultural inputs across Africa (6.6% of portfolio); (vii) a private company that provides electronic payment processing services in Egypt (4.8% of portfolio); and (viii) a private company operating in the agricultural sector in Egypt (4.4% of portfolio).*

(4) *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. In 2020 Helios Fund IV completed its first capital raise and made investments in: (i) a private company that provides electronic payment processing services globally (including Africa); and (ii) a private insurance company established in 2020 and expected to operate across Africa.*

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which the Helios private equity funds operate. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic.

At December 8, 2020 the company's internal valuation model indicated that the fair value of its TopCo LP Class A Limited Partnership Interest was $88,465. At December 31, 2020 the initial transaction price of the company's investment in the TopCo LP Class A Limited Partnership Interest was considered to approximate fair value as there were no significant changes to TopCo LP's business, capital structure or operating environment and the key assumptions in the company's acquisition valuation model continued to be valid. At December 31, 2020 the fair value of the company's investment in TopCo LP Class A Limited Partnership Interest was $88,465.

TopCo LP Class B Limited Partnership Interest

TopCo LP 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 earn the management fees

(''Net Management Fees''). HFP's ownership of TopCo LP Class B Interests entitles HFP to receive Net Management Fees after a six-month holding period by TopCo LP.

At December 8, 2020 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 free cash flow forecasts with an assumed discount rate of 19.3%, a long term growth rate of 4.5% and a long term pre-tax profit margin of 52.3%. At December 8, 2020 free cash flow forecasts were based on Net Management Fee forecasts prepared in the fourth quarter of 2020 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, infrastructure, and real estate funds, and the expected use of operating leverage to grow profit margins. Based on committed capital of the Helios Funds currently in place of approximately $2.3 billion (excluding Helios Fund I which is in the process of closing), the forecasted growth in assets under management implies a compound annual growth rate in committed capital of 18.7% over the eight year forecasting period. In the event that TopCo LP does not achieve its forecasted growth in assets under management in future periods, this may result in a negative impact on the fair value of the company's TopCo LP Class B Limited Partnership Interest. Free cash flow estimates were evaluated net of income taxes based on HFP's Canadian marginal tax rate.

Current Model Assumptions

As a result of the continued business disruptions caused by the COVID-19 pandemic, free cash flow forecasts reflected increased market volatility and government-mandated travel restrictions in the short term primarily through an expected delay in fundraising activities. The development of these free cash flow forecasts was subject to a higher degree of estimation uncertainty that was primarily driven by a forecasting period of eight years, the impacts of government-mandated travel restrictions on current fundraising activities, and forecasted growth in assets under management due to the expected demand for future Africa-focused alternative asset funds. A forecasting period of eight years was used due to the inherent long-term nature of Africa-focused private equity, infrastructure and real estate funds, which require additional time to fundraise, deploy capital and prepare investments for exit. These factors contributed to a higher degree of estimation uncertainty in the free cash flow estimates which was primarily reflected through higher discount rates and in the estimation of the long term pre-tax profit margin expected to be achieved at the end of the forecasting period.

The discount rate was based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which the Helios Funds operate. These risk premiums were reflective of the increased uncertainty of free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic. Long term pre-tax profit margins were estimated based on comparable pre-tax management fee-related earnings margins of 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 in which TopCo LP conducts asset management activities.

At December 8, 2020 the company's internal valuation model indicated that the fair value of its TopCo LP Class B Limited Partnership Interest was $186,834. At December 31, 2020 the initial transaction price of the company's investment in the TopCo LP Class B Limited Partnership Interest was considered to approximate fair value as there were no significant changes to TopCo LP's business, capital structure or operating environment and the key assumptions in the company's acquisition valuation model continued to be valid. At December 31, 2020 the fair value of the company's investment in TopCo LP Class B Limited Partnership Interest was $186,834.

The changes in fair value of the company's investment in TopCo LP Class A and Class B Limited Partnership Interests in 2020 are presented in the table disclosed earlier in note 6.

Investment in AFGRI Holdings Proprietary Limited

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

Indirect Equity Interest in AGH

In February 2017 HFP acquired a 42.2% indirect equity interest in AGH for $74,968 through its purchase of 156,055,775 common shares and 49,942,549 Class A shares of Joseph Investment Holdings (''Joseph Holdings'') for

$25,001 and $49,967 in a non-cash transaction. In January 2018 the company participated in an AGH rights offer and invested an additional $20,304 (inclusive of a non-cash realized gain of $1,803) in AGH through its purchase of 79,743,201 common shares of Joseph Holdings. In November 2018 the company acquired an additional 5,260,679 common shares and 270,362 Class A shares of Joseph Holdings for aggregate cash consideration of $1,408 from an employee of Pactorum Ltd., the company's former sub-advisor.

On December 13, 2019 Joseph Holdings redeemed and canceled 10,769,231 of its Class A shares on a pro rata basis at a price of $1.30 per share. The company received $10,317 on the redemption of 7,936,284 of its Class A shares of Joseph Holdings and as a result has recorded a return of capital of $7,936 with the remaining $2,381 received as a dividend. The redemption principally reflected a distribution from AGH of the proceeds received on the contribution of its grain storage assets to a strategic infrastructure platform during the first quarter of 2019.

In December 2020 Joseph Holdings received $13,749 by way of shareholder loans from its Class A shareholders for which HFP funded its share on December 10, 2020 through a $10,132 shareholder loan to Joseph Holdings. Joseph Holdings used proceeds to subscribe for Class A shares of AFGRI Holdings with a cost of 202.1 million South African rand ($13,568 at transaction date exchange rates) to provide immediate liquidity support and to facilitate the execution of a standstill agreement between AGH and its lenders, described further below.

On December 15, 2020 AFGRI Holdings and AGH entered into a standstill agreement with certain lenders (the ''AGH standstill agreement'') as a result of liquidity pressures arising from the trade volatility caused by COVID-19 pandemic. The execution of the AGH standstill agreement, which was extended in January 2021 to March 31, 2021, was a key component of AGH's preliminary plan to restructure its debt for the benefit of all stakeholders.

At December 31, 2020 the company had invested $98,876 in Joseph Holdings (comprised of 74.6% in common shares and 73.7% in Class A shares of Joseph Holdings, providing a 74.6% voting interest; and $10,132 as a shareholder loan). HFP is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 46.8% indirect equity interest (December 31, 2019 – 46.8%).

During 2020 AGH's businesses were classified as essential services and continued to operate through the lockdowns and travel restrictions imposed by governments across Africa in response to the COVID-19 pandemic, although AFGRI's retail sales of non-agricultural products were temporarily restricted in the first quarter of 2020. In the second quarter of 2020 lockdowns were gradually eased and AFGRI resumed retail and wholesale sales of all inventory.

At December 31, 2020 the company estimated the fair value of its indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 9.3% to 21.2% and a long term growth rate of 2.5% (December 31, 2019 – 11.1% to 26.9% and 2.5%). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for AGH's business units prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by AGH's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is EBITDA growth across AGH's major lines of business: the equipment, grain management, agribusiness finance, and food businesses in Philafrica, partially offset by corporate overhead costs.

Current Model Assumptions

As a result of the business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised downward by AGH's management in the fourth quarter of 2020 to primarily reflect: (i) an increase in working capital outflows in the near term due to continued liquidity pressures; (ii) an increase in corporate overhead costs related to expected legal and advisory fees in connection with the debt restructuring; (iii) the cancellation of AGH's loan book management arrangement with the Land and Agricultural Development Bank of South Africa in November 2020; (iv) an operational fire and the resulting termination of a significant customer contract at Philafrica's soybean processing business in November 2020; and (v) the discontinuation of Philafrica's greenfield businesses during 2020; partially offset by (vi) continued operations during the COVID-19 pandemic; (vii) the equity infusion from Joseph Holdings; and (viii) the execution of the AGH standstill agreement and continued progress in AGH's debt restructuring plan.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates. These risk premiums were reflective of the increased uncertainty of the revised free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic, as well as the increased credit risk associated with AGH's plans to restructure its debt. Long term growth rates were based on the expected long term sustainable growth rate of the economic environments and sectors in which AGH operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of its 46.8% indirect equity interest in AGH was $64,210 (December 31, 2019 – $104,976), comprised of Class A shares, common shares, and a shareholder loan to Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

AGH Facility

On January 21, 2019 the company completed a secured lending arrangement with AGH pursuant to which the company provided $12,813 (176.4 million South African rand) of financing (the ''AGH Facility''). The AGH Facility earned interest at a rate of South African prime plus 2.0%. On July 19, 2019 the AGH Facility was fully repaid with cash of $12,939 (180.0 million South African rand, inclusive of raising fees) and $485 (6.7 million South African rand) of accrued interest for total cash consideration of $13,424 (186.7 million South African rand). In 2019 the company recorded interest income of $1,013 within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the AGH Facility.

Investment in Philafrica Foods Proprietary Ltd.

Philafrica Foods Proprietary Ltd. (''Philafrica'') is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, and soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries). Philafrica has 15 production plants across the South African provinces of Gauteng, KwaZulu-Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo.

Philafrica Common Shares

In November 2018 the company converted $23,254 (325.0 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 common shares of Philafrica with the remainder of the facility fully paid with cash. Upon closing of this transaction the company held a 26.0% equity interest in Philafrica, a third party investor held a 14.0% equity interest and AGH's equity interest decreased from 100.0% to 60.0%. AGH continues to control Philafrica.

In 2020 Philafrica's businesses, all of which operate in the food and agribusiness industries, were classified as essential services and continued to operate through the lockdowns and travel restrictions imposed by governments across Africa in response to the COVID-19 pandemic.

At December 31, 2020 the company estimated the fair value of its investment in Philafrica common shares using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.6% to 15.6% and a long term growth rate of 2.5% (December 31, 2019 – 11.8% to 23.0% and 2.5%). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by Philafrica's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is EBITDA growth at Philafrica's food businesses, partially offset by corporate overhead costs.

Current Model Assumptions

Free cash flow forecasts were revised downward by Philafrica's management in the fourth quarter of 2020 to primarily reflect (i) an operational fire and the resulting termination of a significant customer contract at the soybean processing business; (ii) the discontinuation of cassava processing, mussels farming and poultry greenfield businesses due to difficulties in ramping up operations, partly due to the COVID-19 pandemic; and (iii) an increase in overhead costs; partially offset by (iv) continued operations through 2020.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate in the countries of Philafrica's operations. These risk premiums reflected increased uncertainty of the revised free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic, as well as the increased credit risk associated with debt restructuring plans at Philafrica's parent company, AGH. Long term growth rates were based on the expected long term sustainable growth rate of the economic environments and sectors in which Philafrica operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of its investment in Philafrica common shares was $9,065 (December 31, 2019 – $19,271). The changes in fair value of the company's investment in Philafrica common shares in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

Philafrica Facility

On May 27, 2020 the company entered into a secured lending arrangement with Philafrica pursuant to which the company agreed to provide up to $8,594 (150.0 million South African rand) of financing (the ''Philafrica Facility'') during a commitment period which ended on June 17, 2020. The Philafrica Facility matures on March 31, 2021 with the option of Philafrica to repay at any time prior to maturity and bears interest at a rate of South African prime plus 2.0% per annum, which is accrued and capitalized monthly. The Philafrica Facility is secured by a general guarantee from AGH and AGH's pledge of equity interests in Philafrica. In the second quarter of 2020 the company advanced $5,622 (98.0 million South African rand), net of a 2.0% raising fee, under the Philafrica Facility.

At December 31, 2020 the company estimated the fair value of its investment in the Philafrica Facility based on an expected recovery model with an expected recovery of 100.0%. The expected recovery was supported by the value of the underlying guarantee and pledge from AGH. AGH reached a debt standstill agreement with its lenders on December 15, 2020 and accordingly, the company determined that an expected recovery model was the most appropriate valuation technique. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Philafrica Facility was $7,164. The changes in fair value of the Philafrica Facility in 2020 are presented in the table disclosed earlier in note 6.

In 2020 the company recorded interest income of $418 within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the Philafrica Facility.

Investment in GroCapital Holdings Limited

GroCapital Holdings Limited (''GroCapital Holdings'') is a bank holding company that owns 99.9% of Grobank Limited (''Grobank''). Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to medium-sized businesses and individuals, specializing in the agri-business value chain and associated industries in the South African market, driven by a unique combination of retail, business and alliance banking and agri-business experience.

GroCapital Holdings Common Shares

From 2018 until June 30, 2020 the company invested an aggregate of $19,403 (285.7 million South African rand) for a 48.1% equity interest in GroCapital Holdings.

On September 29, 2020 GroCapital Holdings and Grobank entered into a subscription agreement with Access Bank Plc (''Access Bank''), a publicly listed Nigerian commercial bank, pursuant to which Access Bank will invest cash consideration of up to 400.0 million South African rand ($27,232 at period end exchange rates) to acquire a 90.4% equity interest in Grobank in two tranches, subject to regulatory and shareholder approval. Following completion of the first tranche, Grobank will be renamed Access Bank (South Africa) Limited (''Access Bank SA'').

In 2020 Grobank was classified as an essential service and has continued to operate through the lockdown and travel restrictions imposed by the South African government in response to the COVID-19 pandemic.

At December 31, 2020 the company estimated the fair value of its investment in GroCapital Holdings common shares based on the recent transaction price of Grobank implied by the subscription agreement with Access Bank. At December 31, 2020 the recent transaction price indicated that the fair value of the company's investment in GroCapital Holdings was $1,399 for the 48.1% equity interest.

At December 31, 2019 the company estimated the fair value of its investment in GroCapital Holdings common shares by estimating the fair value of GroCapital Holdings' 99.9% investment in Grobank using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed discount rate of 17.3% and a long term growth rate of 2.5%. At December 31, 2019 free cash flow forecasts were based on pre-tax income estimates derived from financial information prepared in the fourth quarter of 2019 by Grobank's management. Discount rates were based on the company's assessment of risk premiums to the South African risk-free rate. At December 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in GroCapital Holdings was $10,328 for the 35.0% equity interest.

As a result of the transaction with Access Bank the company changed its valuation technique as discussed above.

The changes in fair value of the company's equity interest in GroCapital Holdings in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

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

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand), net of a 2.5% raising fee (the ''CIG Loan''). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date of June 4, 2023. 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. The CIG Loan is not rated.

In June 2020 due to the impacts of COVID-19, the company allowed CIG to defer interest payments due June 4, 2020 and going forward. At December 31, 2020, deferred interest was $1,099 (16.1 million South African rand) and the unpaid amounts do not accrue interest.

At December 31, 2020, interest receivable of $1,235 on the CIG Loan is expected to be received in more than 12 months.

At December 31, 2020 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 7.9% (December 31, 2019 – 6.8%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. On November 9, 2020 CIG commenced voluntary business rescue proceedings. This did not significantly impact the fair value of the CIG Loan at December 31, 2020 as the Conlog shares pledged as collateral continue to support full recovery of the CIG Loan. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the CIG Loan was $19,254 (December 31, 2019 – $20,744). The changes in fair value of the CIG Loan in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

In 2020 the company recorded interest income of $1,932 (2019 – $2,629) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At December 31, 2018 the company's obligation to subscribe for 178,995,353 CIG common shares as part of the CIG Rights Offer (refer to the Public African Investments section under the heading Investment in Consolidated Infrastructure Group Limited (Common Shares) earlier in note 6) gave rise to a forward derivative liability. On January 4, 2019 upon closing of the CIG Rights Offer the company settled the forward derivative liability with a fair value of $4,839, reducing the net consideration recorded for the shares acquired by the company in the CIG Rights Offer.

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

Investment in the PGR2 Loan (Debt Instrument)

In May 2018, in conjunction with the CIG Loan, the company entered into a secured lending agreement with PGR2 Investments Proprietary Limited (''PGR2''), the largest shareholder of CIG at the time of the transaction, pursuant to which the company provided PGR2 with $19,969 (260.0 million South African rand) of financing (the ''PGR2 Loan''). The PGR2 Loan was partially secured by common shares of CIG held by PGR2 and associated parties. The PGR2 Loan had a coupon of 15.0% per annum, payable semi-annually in cash or in kind at PGR2's option, with a maturity date of May 24, 2021.

At December 31, 2020 as a result of the significant and prolonged decline in the fair value of CIG common shares pledged as security for the PGR2 Loan, the company revised its expected recovery to nil. In 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $22,598 relating to the PGR2 Loan, which was comprised of: (i) an inception to date realized loss of $22,356 reported in net realized losses on investments; (ii) a reversal of prior period unrealized losses of $1,433 reported in net change in unrealized gains on investments; and (iii) net foreign exchange losses of $1,675. The changes in fair value of the PGR2 Loan in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

At December 31, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 13.7%. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $21,240.

In 2020 the company recorded interest income of $1,118 (2019 – $2,987) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the PGR2 Loan.

Investment in Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of debt instruments and warrants classified as Level 3 in the fair value hierarchy. The Atlas Mara debt instruments discussed below are not rated.

On December 28, 2020 Atlas Mara entered into a standstill agreement with its lenders, which expires March 31, 2021 (the ''Atlas Mara standstill agreement''), as a result of continued liquidity pressures facing its African banks, partially due to the COVID-19 pandemic. The execution of the Atlas Mara standstill agreement was a key component of Atlas Mara's plan to repay its outstanding debt obligations through orderly dispositions of certain of its underlying businesses. The expected proceeds from the proposed dispositions and the duration and outcome of negotiations with other lenders have increased risk of recovery, which has been reflected in the valuation of the Atlas Mara 11.0% Convertible Bonds (defined below) and the Atlas Mara 7.5% Bonds (defined below) (collectively, the ''Atlas Mara Bonds'') and the Atlas Mara Facility. As a result of the Atlas Mara standstill agreement and restructuring plan, the company changed its valuation technique to an expected recovery model in the fourth quarter of 2020. In addition, the company will no longer accrue interest on the Atlas Mara Bonds after December 28, 2020, whereas interest continues to accrue on the Atlas Mara Facility.

Atlas Mara 11.0% Convertible Bonds

In April 2018 the company entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and payable in kind (''Atlas Mara 11.0% Convertible Bonds''). On December 10, 2019, pursuant to the terms of the agreement, Atlas Mara extended the maturity of the bonds by an additional year to December 11, 2020, under substantially the same terms, with the exception that Atlas Mara can now repay the principal at any time prior to maturity.

At December 31, 2020 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds based on an expected recovery model with an estimated expected recovery of 12.2%. The expected recovery reflected the value of expected proceeds from Atlas Mara's planned asset disposals less expected repayments to higher-ranking and secured lenders as the Atlas Mara 11.0% Convertible Bonds are unsecured. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $2,442.

At December 31, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 10.7% and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $18,296.

Atlas Mara 7.5% Bonds plus Warrants

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

In December 2019 the company provided Atlas Mara an extension to March 31, 2020 to pay $900 in interest, due on December 31, 2019. In the second quarter of 2020, partially due to the impacts of COVID-19, the company provided Atlas

Mara a further extension on all interest payable from December 31, 2019. The unpaid interest of $2,849 at December 31, 2020 accrues interest at 11.0% per annum and is expected to be received in more than 12 months. At December 31, 2020, interest receivable of $2,832 on the Atlas Mara 7.5% Bonds reflects the same expected recovery as the principal.

At December 31, 2020 the company estimated the fair value of its investment in Atlas Mara 7.5% Bonds based on an expected recovery model with an estimated expected recovery of 99.8% of principal and interest. The expected recovery reflected the value of expected proceeds from Atlas Mara's planned asset disposals. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $19,966.

At December 31, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 10.7% and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $18,431.

At December 31, 2020 the fair value of the company's investment in the Atlas Mara Warrants was nil. The company does not expect to recover any of its initial investment in the Atlas Mara Warrants. At December 31, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.3%. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Warrants was $83.

Atlas Mara Facility

On March 30, 2020 the company entered into a secured lending arrangement with Atlas Mara pursuant to which the company agreed to provide up to $40,000 of financing (the ''Atlas Mara Facility''). The Atlas Mara Facility is secured by Atlas Mara's shares in the publicly listed entity, African Banking Corporation Botswana Limited (''Atlas Mara Botswana''). The Atlas Mara Facility bears interest at a rate of 10.0% per annum, which is accrued and capitalized quarterly and will mature on March 31, 2021 with the option of Atlas Mara to repay at any time prior to maturity. In 2020, the company advanced $39,507, net of $493 in raising fees, under the Atlas Mara Facility.

At December 31, 2020 the company estimated the fair value of its investment in the Atlas Mara Facility based on an expected recovery model with an estimated expected recovery of 71.3%. The expected recovery reflected the value of expected proceeds from Atlas Mara's planned asset disposals. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Facility was $30,346.

In 2020 the company recorded interest income of $7,668 (2019 – $4,252) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Bonds and the Atlas Mara Facility.

In 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $83 relating to the Atlas Mara Warrants, which was comprised of: (i) an inception to date realized loss of $2,324 reported in net realized losses on investments; and (ii) a reversal of prior period unrealized losses of $2,241 reported in net change in unrealized gains on investments. The changes in fair value of the company's loan, bonds and warrant investments in Atlas Mara during 2020 and 2019 are presented in the tables disclosed earlier in note 6.

In connection with the Transaction (see note 2), Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee described later in note 13.

Investment in Nova Pioneer Education Group

Nova Pioneer Education Group (''Nova Pioneer'') is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2013 with its first school opening in South Africa in 2015. Since then, Nova Pioneer has expanded across South Africa and launched its first campus in Kenya in 2016. Nova Pioneer operates thirteen schools with a combined enrollment of approximately 4,450 students.

Nova Pioneer Bonds and Warrants

In December 2017 and the last six months of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited (''Ascendant''), the Mauritius-based parent entity of Nova Pioneer, which consisted of: (i) $26,242 in 20.0% debentures (inclusive of capitalized interest) due on December 31, 2024 (the ''Nova Pioneer Bonds''); and (ii) $781 for 2,477,293 warrants (the ''Nova Pioneer Warrants'') with an exercise price of $2.06 per common share of Ascendant. In the

absence of circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may only be exercised on or after June 30, 2021.

In January, April and June 2019 the company invested an aggregate of $9,227 comprised of Nova Pioneer Bonds and 922,707 Warrants with aggregate fair values on the dates of investment of $8,721 and $506 relating to the Nova Pioneer Bonds and Warrants respectively. At December 31, 2020 the company had invested an aggregate of $45,256 in Nova Pioneer, comprised of $43,969 in Nova Pioneer Bonds (inclusive of capitalized accrued interest on the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

In June 2020, due to the impacts of COVID-19, the company provided Nova Pioneer an extension to December 31, 2020 to pay $845 in interest, due on June 30, 2020. In November 2020, the company provided Nova Pioneer a further extension of all interest payable from June 30, 2020 to June 30, 2021. The unpaid interest of $1,785 at December 31, 2020 will accrue interest at 20.0% per annum.

During the first quarter of 2020 Nova Pioneer was not classified as an essential business and temporarily closed its schools in South Africa and Kenya due to COVID-19, pivoting toward a home-based learning program. In June 2020 Nova Pioneer commenced a phased reopening of its South African schools and have since fully re-opened, while its Kenyan schools commenced a phased reopening in October 2020.

At December 31, 2020 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 28.2% (December 31, 2019 – 14.6%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Ascendant given the deterioration of liquidity as a result of COVID-19 school closures. The company updated its assessment of the Nova Pioneer Bonds' credit quality in the fourth quarter of 2020 which resulted in a significant increase in estimated credit spread. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Nova Pioneer Bonds was $36,421 (December 31, 2019 – $42,093). The changes in fair value of the Nova Pioneer Bonds in 2020 and 2019 are presented in the tables disclosed earlier in note 6.

In 2020 the company recorded interest income of $5,742 (2019 – $7,455) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Nova Pioneer Bonds. As a result of continued liquidity pressure, the company is no longer accruing interest on the Nova Pioneer Bonds.

At December 31, 2020 the fair value of the company's investment in the Nova Pioneer Warrants was nil. The company does not expect to recover any of its initial investment in the Nova Pioneer Warrants. At December 31, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.72. At December 31, 2019 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,458.

In 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $1,458 relating to the Nova Pioneer Warrants, which was comprised of: (i) an inception to date realized loss of $1,285 reported in net realized losses on investments; and (ii) a reversal of prior period unrealized gains of $173 reported in net change in unrealized gains on investments. The changes in fair value of the Nova Pioneer Warrants during 2020 and 2019 are presented in the tables disclosed earlier in note 6.

7. 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:

	December 31, 2020				December 31, 2019			
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets
Cash and cash equivalents	66,052	–	–	66,052	44,334	–	–	44,334
Restricted cash deposits	7,525	–	–	7,525	7,500	–	–	7,500
	73,577	–	–	73,577	51,834	–	–	51,834
Term deposits[(1)]	–	12,392	–	12,392	–	–	–	–
Short term investments – U.S. treasuries	–	–	–	–	104,008	–	–	104,008
Limited partnership investments:								
TopCo LP Class A Limited Partnership Interest	–	–	88,465	88,465	–	–	–	–
TopCo LP Class B Limited Partnership Interest	–	–	186,834	186,834	–	–	–	–
	–	–	275,299	275,299	–	–	–	–
Loans:								
CIG Loan	–	–	19,254	19,254	–	–	20,744	20,744
PGR2 Loan	–	–	–	–	–	–	21,240	21,240
Atlas Mara Facility	–	–	30,346	30,346	–	–	–	–
Philafrica Facility	–	–	7,164	7,164	–	–	–	–
Fairfax Loan	–	–	19,411	19,411	–	–	–	–
	–	–	76,175	76,175	–	–	41,984	41,984
Bonds:								
Atlas Mara 11.0% Convertible Bonds	–	–	2,442	2,442	–	–	18,296	18,296
Atlas Mara 7.5% Bonds	–	–	19,966	19,966	–	–	18,431	18,431
Nova Pioneer Bonds	–	–	36,421	36,421	–	–	42,093	42,093
	–	–	58,829	58,829	–	–	78,820	78,820
Common stocks:								
Atlas Mara	–	–	–	–	78,075	–	–	78,075
CIG	–	–	–	–	19,562	–	–	19,562
Other	14,836	–	–	14,836	–	–	–	–
Indirect equity interest in AGH	–	–	64,210	64,210	–	–	104,976	104,976
Philafrica	–	–	9,065	9,065	–	–	19,271	19,271
GroCapital Holdings	–	–	1,399	1,399	–	–	10,328	10,328
	14,836	–	74,674	89,510	97,637	–	134,575	232,212
Derivatives and guarantees:								
Atlas Mara Warrants	–	–	–	–	–	–	83	83
Nova Pioneer Warrants	–	–	–	–	–	–	1,458	1,458
Atlas Mara Facility Guarantee	–	–	13,252	13,252	–	–	–	–
	–	–	13,252	13,252	–	–	1,541	1,541
Total cash and investments	88,413	12,392	498,229	599,034	253,479	–	256,920	510,399
	14.8%	2.0%	83.2%	100.0%	49.7%	–%	50.3%	100.0%

(1) Cash placed on deposit with Atlas Mara Zambia and supported by collateral held for the benefit of the company (see note 13).

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During 2020 as a result of the voluntary trading suspension of CIG common shares on November 25, 2020, the company's investment in CIG common shares was transferred out of Level 1 and into Level 3. During 2020 the Atlas Mara Zambia Term Deposit was transferred from Level 1 to Level 2 and reclassified from restricted

cash deposits to term deposits on the consolidated balance sheets for reasons disclosed in note 13. During 2019 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 African Investments (classified as Level 3) are disclosed in note 6.

The table that follows 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 December 31, 2020. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on analysis of the return on various equity indexes, management's knowledge of the applicable equity markets and the potential impact of changes in interest rates. To reflect increased market volatility due to the economic and social impacts of the COVID-19 pandemic in 2020, management widened its reasonably possible range of after-tax discount rates to changes within 100 basis points at December 31, 2020 from changes within 50 basis points at December 31, 2019. The change reflects the additional uncertainty in determining recoverability and the discounted cash flows for assessing the fair values of Private African Investments. This sensitivity analysis excludes the company's investments in the Atlas Mara Facility, the Philafrica Facility, the Atlas Mara Bonds and the Atlas Mara Facility Guarantee, which are presented separately in the next table. The company's investments in GroCapital Holdings common shares and the Fairfax Loan are also excluded from this sensitivity analysis as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis for these investments.

Investments	Fair value of Investment	Valuation technique	Significant unobservable inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement(1)(2)	Hypothetical $ change effect on net earnings (loss)(1)(2)
Limited partnership investments:						
TopCo LP Class A Limited Partnership Interest	$88,465	Discounted cash flow	Discount rate	21.0% to 27.0%	(1,253) / 1,287	(1,087) / 1,116
			Exit multiple of invested capital	2.1x to 2.6x	6,098 / (6,098)	5,290 / (5,290)
TopCo LP Class B Limited Partnership Interest	$186,834	Discounted cash flow	Discount rate	19.3%	(15,129) / 17,462	(13,124) / 15,148
			Growth in assets under management	18.7%	15,342 / (15,342)	13,309 / (13,309)
			Long term pre-tax profit margin	52.3%	1,818 / (1,818)	1,577 / (1,577)
			Long term growth rate	4.5%	1,867 / (1,805)	1,620 / (1,566)
Loans:						
CIG Loan	$19,254	Discounted cash flow and option pricing model	Credit spread	7.9%	(411) / 421	(357) / 365
Bonds:						
Nova Pioneer Bonds	$36,421	Discounted cash flow and option pricing model	Credit spread	28.2%	(878) / 905	(645) / 665
Common stocks:						
Indirect equity interest in AGH	$64,210	Discounted cash flow	After-tax discount rate	9.3% to 21.2%	(10,809) / 13,841	(9,377) / 12,007
			Long term growth rate	2.5%	2,283 / (2,144)	1,981 / (1,860)
Philafrica	$9,065	Discounted cash flow	After-tax discount rate	12.6% to 15.6%	(2,564) / 3,106	(2,224) / 2,694
			Long term growth rate	2.5%	499 / (476)	433 / (413)

(1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the above table shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates (100 basis points), discount rates (100 basis points), long term growth rates (25 basis points), credit spreads (100 basis points), exit multiple of invested capital (5.0%), growth in assets under management (implied compound annual growth rates in committed capital of 17.9% and 19.4%) and long term pre-tax profit margin (100 basis points), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in exit multiples of invested capital, growth in assets under management, long term pre-tax profit margin and long term growth rates, or a decrease (increase) in after-tax discount rates, discount rates or credit spreads would result in a higher (lower) fair value of the company's Private African Investments classified as Level 3 in the fair value hierarchy. After-tax discount rates and discount rates are subject to a mitigating factor: increases (decreases) in after-tax discount rates and discount rates tend to be accompanied by increases (decreases) in free cash flows that may offset changes in fair value resulting from changes in after-tax discount rates and

discount rates. Exit multiples of invested capital and growth in assets under management are subject to a mitigating factor: increases (decreases) in exit multiples of invested capital and growth in assets under management tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value resulting from changes in exit multiples of invested capital and growth in assets under management.

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

The 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 financial instruments classified as Level 3 at December 31, 2020. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on analysis of the underlying assets.

Investments	Fair value of Investment	Expected recovery used in the internal valuation models	Hypothetical $ change effect on fair value measurement[(1)]	Hypothetical $ change effect on net earnings (loss)[(1)(2)]
Loans:				
Atlas Mara Facility[(3)]	$30,346	71.3%	2,128 / (2,128)	1,564 / (1,564)
Philafrica Facility	$7,164	100.0%	– / (358)	– / (311)
Bonds:				
Atlas Mara 11.0% Convertible Bonds	$2,442	12.2%	1,001 / (1,001)	736 / (736)
Atlas Mara 7.5% Bonds	$19,966	99.8%	40 / (1,000)	29 / (735)

(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. 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 African 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) A hypothetical increase (decrease) in the expected recovery of the Atlas Mara Facility would result in a commensurate decrease (increase) in fair value of the Atlas Mara Facility Guarantee, which had a fair value of $13,252 at December 31, 2020.

Fixed Income Maturity Profile

Loans and bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At December 31, 2020 loans and bonds with fair values of $56,764 and $38,863 (December 31, 2019 – $41,984 and $60,389) contained call features. At December 31, 2020 there were no debt instruments containing put features (December 31, 2019 – nil).

	December 31, 2020		December 31, 2019	
	Cost[(1)]	Fair value	Cost[(1)]	Fair value
Loans:				
Due in 1 year or less	72,011	56,764	47,354	41,984
Due after 1 year through 5 years	19,411	19,411	–	–
	91,422	76,175	47,354	41,984
Effective interest rate		4.5%		13.9%
Bonds:				
Due in 1 year or less[(2)]	64,325	38,863	18,036	18,296
Due after 1 year through 5 years[(3)]	19,290	19,966	57,534	60,524
	83,615	58,829	75,570	78,820
Effective interest rate		– %		16.6%

(1) Cost is comprised of fair value on initial recognition and capitalized interest.

(2) At December 31, 2020, includes the Atlas Mara 11.0% Convertible Bonds with a cost of $20,073 and fair value of $2,442, which have a contractual maturity of December 11, 2020 and are callable. Management estimates that payment of the bond may be delayed for more than a year as a result of the Atlas Mara standstill agreement and restructuring plan.

(3) At December 31, 2020, comprised of the Atlas Mara 7.5% Bonds, which have a contractual maturity of November 6, 2021. Management estimates that payment of the bond may be delayed for more than a year as a result of the Atlas Mara standstill agreement and restructuring plan.

Investment Income

An analysis of investment income for the years ended December 31 is summarized in the table that follows:

	2020	2019
Interest:		
Cash and cash equivalents	641	2,348
Restricted cash deposits	520	15
Term deposits	268	–
Short term investments – U.S. treasuries	403	1,907
Loans	6,421	6,629
Bonds	10,474	11,707
	18,727	22,606
Dividends: Common stocks	15	2,381

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

	2020			2019		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[(1)]						
Short term investments – U.S. treasuries	–	(47)	(47)	1	47	48
Loans	(22,356)[(2)]	(11,211)[(2)]	(33,567)[(2)]	–	(884)	(884)
Bonds	–	(28,036)	(28,036)	–	3,714	3,714
Common stocks	(187,298)[(3)]	57,416[(3)]	(129,882)[(3)]	–	(80,842)	(80,842)
Derivatives and guarantees	1,192[(4)]	12,521[(4)]	13,713[(4)]	(4,839)[(5)]	4,742[(5)]	(97)[(5)]
	(208,462)	30,643	(177,819)	(4,838)	(73,223)	(78,061)
Net foreign exchange gains (losses) on:[(1)]						
Cash and cash equivalents	(2,906)	–	(2,906)	2,207	–	2,207
Loans	(2,941)[(6)]	1,336[(6)]	(1,605)[(6)]	(131)	1,233	1,102
Common stocks	(3,928)[(7)]	(5,775)[(7)]	(9,703)[(7)]	–	3,444	3,444
Other	–	258	258	–	79	79
	(9,775)	(4,181)	(13,956)	2,076	4,756	6,832

(1) Refer to note 6 for a summary of changes in the fair value of the company's Public and Private African Investments during 2020 and 2019.

(2) In 2020, net losses on loans primarily comprised of realized losses from the PGR2 Loan ($22,356) and net change in unrealized losses primarily related to the Atlas Mara Facility ($12,095), partially offset by the reversal of prior period unrealized losses recorded on the PGR2 Loan ($1,433).

(3) In 2020, net losses on common stocks primarily comprised of realized losses from Atlas Mara common shares ($141,345) and CIG common shares ($45,953) and net change in unrealized losses primarily related to the company's indirect equity interest in AGH ($43,836), GroCapital Holdings common shares ($13,761), and Philafrica common shares ($9,090), partially offset by net change in unrealized gains related to the reversal of prior period unrealized losses recorded on Atlas Mara common shares ($92,412) and CIG common shares ($29,470) and net change in unrealized gains on Other Public African Investments ($2,221).

(4) In 2020, net realized gains on derivatives and guarantees comprised of realized gains from the Atlas Mara Forward Derivative ($4,801), partially offset by realized losses from Atlas Mara Warrants ($2,324) and Nova Pioneer Warrants ($1,285). In 2020, net change in unrealized gains on derivatives and guarantees comprised of net change in unrealized gains on the Atlas Mara Facility

Guarantee ($10,453) and the reversal of prior period unrealized losses recorded on Atlas Mara Warrants ($2,241), partially offset by the reversal of prior period unrealized gains recorded on Nova Pioneer Warrants ($173).

(5) *In 2019, net loss on derivatives and guarantees comprised of realized losses on the CIG forward derivative liability ($4,839) and net change in unrealized losses on Atlas Mara Warrants ($933) and Nova Pioneer Warrants ($49), partially offset by net change in unrealized gains relating to the reversal of prior period unrealized losses recorded on the CIG forward derivative liability ($5,724).*

(6) *In 2020, net foreign exchange losses on loans primarily comprised of realized foreign exchange losses from the PGR2 Loan ($2,941), partially offset by net change in unrealized gains primarily relating to the reversal of prior period foreign exchange losses recorded on the PGR2 Loan ($1,266).*

(7) *In 2020, realized foreign exchange losses on common stocks related to realized foreign exchange losses from CIG common shares ($3,928). In 2020, net change in unrealized foreign exchange losses on common stocks primarily related to the company's investments in its indirect equity interest in AGH ($7,062) and Philafrica common shares ($1,116), partially offset by unrealized foreign exchange gains on Other Public African Investments ($2,562).*

8. Borrowings

Revolving Credit Facilities

On September 7, 2018 the company entered into a $90,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 400 basis points (the ''Credit Facility''). The Credit Facility was secured by way of a general lien on the holding company's assets. The Credit Facility as amended on March 28, 2019 contained a financial covenant that required the company to maintain common shareholders' equity of not less than $500,000.

On December 21, 2018 the company drew $30,000 from the Credit Facility with a 3-month term that was repaid on March 21, 2019 along with accrued interest of $509. On September 7, 2019 the Credit Facility matured.

On December 20, 2019 the company entered into an $80,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 450 basis points (the ''Second Credit Facility''). The Second Credit Facility contained a financial covenant that required the company to maintain common shareholders' equity of not less than $450,000 when amounts were drawn under the Second Credit Facility. The Second Credit Facility was secured by way of a general lien on the holding company's assets. On December 20, 2020 the Second Credit Facility matured and was not renewed.

Interest Expense

In 2020 interest expense of $773 (2019 – $977) was comprised of amortization of issuance costs of $773 (2019 – $499) and no interest expense (2019 – $478).

9. 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; (ii) an unlimited number of subordinate voting shares; and (iii) an unlimited number of preference shares, issuable in series. Except as provided in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to vote at any meeting of the shareholders of the company.

Issued Capital

Issued capital at December 31, 2020 included 55,452,865 (December 31, 2019 – 30,000,000) multiple voting shares and 53,665,388 (December 31, 2019 – 29,496,481) 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. The company's subordinate voting shares trade on the Toronto Stock Exchange (''TSX'') under the symbol HFPC.U. In December 2020, following completion of the Transaction, the TSX ticker for the company's subordinate voting shares was changed from FAH.U to HFPC.U. 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. Fairfax and the Helios Holdings Group, through their respective subsidiaries and affiliates, own all the issued and outstanding multiple voting shares, which are not publicly traded. At December 31, 2020 and December 31, 2019 there were no preference shares outstanding.

Common stock

The number of shares outstanding was as follows:

	2020	**2019**
Subordinate voting shares – January 1	29,496,481	32,811,965
Issuances of shares	24,632,413	–
Purchases for cancellation	(463,506)	(3,315,484)
Subordinate voting shares – December 31	53,665,388	29,496,481
Multiple voting shares – January 1	30,000,000	30,000,000
Issuances of shares	25,452,865	–
Multiple voting shares – December 31	55,452,865	30,000,000
Common shares effectively outstanding – December 31	109,118,253	59,496,481

Capital Transactions

On December 4, 2020, shareholders of HFP approved an amendment to the company's articles to permit, among other things, the issuance of an unlimited number of multiple voting shares to Fairfax, Principal Holdco, and certain of their respective subsidiaries and affiliates. On December 8, 2020 the company issued 24,632,413 subordinate voting shares and 25,452,865 multiple voting shares at a price of $5.50 per share as part of the Transaction, in exchange for TopCo LP Class A and Class B Limited Partnership Interests with an aggregate fair value of $275,299. The cost of subordinate voting shares and multiple voting shares issued was determined on the basis of the fair value of the TopCo LP Class A and Class B Limited Partnership Interests received. 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.

At December 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 5,279,489 subordinate voting shares of HFP (December 31, 2019 – 30,000,000 and 6,885,421 respectively).

At December 31, 2020 Principal Holdco, a Luxembourg holding company, indirectly owned by Tope Lawani and Babatunde Soyoye, owned 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP (December 31, 2019 – nil for both).

Purchase of Shares

On June 30, 2020 the company announced that the TSX had accepted its intention to commence a normal course issuer bid to purchase up to 2,162,134 subordinate voting shares, representing approximately 10% of the public float of its subordinate voting shares, over a twelve month period from July 8, 2020 to July 7, 2021. Any subordinate voting shares that may be purchased under the normal course issuer bid will be canceled. The actual number of subordinate voting shares that may be purchased under the normal course issuer bid and the timing of such purchases will be determined at the discretion of the company, with no assurances that any such purchases will be completed.

During 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 463,506 subordinate voting shares (2019 – 3,315,484) for a net cost of $1,850 (2019 – $27,018) and $2,960 (2019 – $7,390) was recorded as a benefit in retained earnings.

Special Incentive Plan

On December 8, 2020 and in connection with the closing of the Transaction (see note 2), the company adopted a new special incentive plan (the ''Special Incentive Plan''), pursuant to which 2,505,637 options to purchase subordinate voting shares of the company were granted to the SIP Recipients. Options issued under the Special Incentive Plan vested immediately on grant date and had an exercise price of $3.99 per share and maturity date of December 8, 2030. The options may also be exercised by way of a cashless exercise, at the participant's option, where the company will issue shares equivalent to the amount by which the aggregate fair market value of the shares at time of exercise exceed the

exercise price, less any applicable withholding taxes. At December 31, 2020 the maximum number of options under the Special Incentive Plan had been issued, and none of the options granted were exercised.

In 2020 the company recorded share based payment expense of $5,804 in general and administration expenses within the consolidated statement of earnings (loss) and comprehensive income (loss) with respect to options granted under the Special Incentive Plan.

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 2020 and 2019.

Capital Contribution

On July 10, 2020 in connection with the Transaction (see note 2), the company entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for proceeds of $40,000, giving rise to the Atlas Mara Forward Derivative, discussed later in note 13. At inception, the difference between fair value ($6,056) and transaction price (nil) of the Atlas Mara Forward Derivative was recorded in contributed surplus within common shareholders' equity.

On July 10, 2020 in connection with the Transaction (see note 2), 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 the Atlas Mara Facility Guarantee, discussed later in note 13. At inception, the difference between fair value ($2,799) and transaction price (nil) of the Atlas Mara Facility Guarantee was recorded in contributed surplus within common shareholders' equity.

Deemed Distributions

On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000. Net proceeds were comprised of $20,000 in cash and $20,000 in the interest-free Fairfax Loan due from Fairfax no later than three years from closing of the Transaction, discussed later in note 13. The company estimated the fair value of the benefit to Fairfax of the interest-free loan to be $603, which was recognized in retained earnings (deficit) within the consolidated statement of changes in equity.

10. Net Earnings (Loss) per Share

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

	2020	**2019**
Net loss – basic and diluted	(206,646)	(61,199)
Weighted average common shares outstanding – basic and diluted[(1)]	62,406,662	60,688,854
Net loss per common share – basic and diluted	$ (3.31)	$ (1.01)

(1) Potential common shares are anti-dilutive and are excluded from diluted weighted average common shares outstanding.

At December 31, 2020 the company determined that there was no performance fee payable and as a result there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax (December 31, 2019 – nil). A new calculation period commenced on January 1, 2021 (see note 13).

At December 31, 2020 the company determined that there were 2,505,637 potential subordinate voting shares issuable relating to the Special Incentive Plan (see note 13), which were excluded from the calculation of diluted weighted average common shares outstanding, because their effect would have been anti-dilutive.

11. Income Taxes

The company's provision for income taxes for the years ended December 31 is summarized in the following table:

	2020	**2019**
Current income tax:		
Current year expense	2,449	2,115
Adjustment to prior years' income taxes	118	1,730
	2,567	3,845
Deferred income tax:		
Origination (reversal) of temporary differences	145	(114)
Adjustments to prior years' deferred income taxes	(35)	–
	110	(114)
Provision for income taxes	2,677	3,731

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

On July 31, 2018 Mauritius enacted the Finance (Miscellaneous Provision) Act (the ''Mauritius Finance Act'') which abolishes, with effect from January 1, 2019, the deemed Foreign Tax Credit (''FTC'') regime available to Global Business License companies. For entities holding a Category 1 Global Business License issued before October 16, 2017 (held by Mauritius Sub) the deemed FTC regime will continue to apply until June 30, 2021. In place of the deemed FTC, the Mauritius Finance Act introduces an 80% exemption regime on foreign source income including certain foreign dividends and foreign source interest. The 80% exemption is available upon meeting predefined substance requirements issued by the Financial Services Commission. The company has evaluated the potential impact of the Mauritius Finance Act and concluded that it will not have a material impact on the company.

The company's net earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for 2020 and 2019 is summarized in the following table:

	2020				**2019**			
	Canada	**Mauritius**	**South Africa**	**Total**	**Canada**	**Mauritius**	**South Africa**	**Total**
Earnings (loss) before income taxes	(20,935)	(117,221)	(65,813)	(203,969)	4,307	(27,439)	(34,336)	(57,468)
Provision for income taxes	2,191	304	182	2,677	3,245	221	265	3,731
Net earnings (loss)	(23,126)	(117,525)	(65,995)	(206,646)	1,062	(27,660)	(34,601)	(61,199)

The loss before income taxes in Canada in 2020 compared to earnings before income taxes in 2019 primarily reflected Helios Transaction expenses, increased general and administration expenses primarily reflecting amortization of share-based payment awards, net change in unrealized losses on the company's investment in the Atlas Mara Facility, net foreign exchange losses on intercompany loans, and net losses on CIG common shares, partially offset by net change in unrealized gains on the Atlas Mara Facility Guarantee, net change in unrealized gains and net foreign exchange gains on Other Public African Investments, increased interest income and decreased investment and advisory fees.

The increase in loss before income taxes in Mauritius in 2020 compared to 2019 primarily reflected net losses on the sale of the Atlas Mara common shares, net change in unrealized losses on the company's indirect equity interest in AGH, Atlas Mara 11.0% Convertible Bonds and Nova Pioneer Bonds, net losses on the company's investment in the Nova Pioneer Warrants, decreased dividend and interest income and increased general and administration expenses, partially offset by a realized gain on the settlement of the Atlas Mara Forward Derivative and decreased investment and advisory expenses.

The increase in loss before income taxes in South Africa in 2020 compared to 2019 primarily reflected net losses on the company's investments in CIG common shares and the PGR2 Loan, net change in unrealized losses on the company's investment in GroCapital common shares and Philafrica common shares, net foreign exchange losses on African

Investments and cash and cash equivalents and decreased interest income, partially offset by net foreign exchange gains on intercompany loans.

A reconciliation of the recovery of income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the years ended December 31 are summarized in the following table:

	2020	**2019**
Canadian statutory income tax rate	26.5%	26.5%
Recovery of income taxes at the Canadian statutory income tax rate	(54,052)	(15,229)
Non-deductible investment losses	(777)	–
Tax rate differential on losses incurred outside of Canada	18,056	9,550
Provision relating to prior years	83	1,730
Change in unrecorded tax benefit of losses and temporary differences	35,399	9,818
Gains and losses relative to the Canadian dollar	221	(2,187)
Other, including permanent differences	3,747	49
Provision for income taxes	2,677	3,731

Non-deductible investment losses of $777 in 2020 (2019 – nil) principally reflected the non-taxable portion of income earned on account of capital in Canada after the Transaction.

The tax rate differential on losses incurred outside of Canada of $18,056 in 2020 (2019 – $9,550) principally reflected the impact of net investment losses taxed in Mauritius at lower rates, partially offset by losses incurred in South Africa taxed at marginally higher rates.

Provision relating to prior years of $83 in 2020 (2019 – $1,730) principally reflected a reclassification of the tax benefit on share issuance costs recorded directly in common shareholders' equity.

The change in unrecorded tax benefit of losses and temporary differences of $35,399 in 2020 principally reflected increases in deferred tax assets in South Africa on investments of $7,781 and increases in deferred tax assets in Canada related to foreign accrual property losses of $5,661, net capital losses and foreign accrual capital losses of $18,810, and investment and other temporary timing differences of $3,147. The change in unrecorded tax benefit of losses and temporary differences of $9,818 in 2019 principally reflected deferred tax assets in South Africa on investments of $9,774 and changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $59 with respect to the company's wholly-owned subsidiaries, partially offset by temporary timing differences of $14 and net capital loss carryforward utilization in Canada of $1 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS.

At December 31, 2020 deferred tax assets in Canada of $28,208 and South Africa of $17,555 (December 31, 2019 – $235 and $9,774) were not recorded as it was considered not probable that those losses could be utilized by the company.

Gains and losses relative to the Canadian dollar of $221 in 2020 (2019 – $2,187) principally reflected the gains on investments for taxes computed in Canadian dollar relative to the gains/losses on investments for accounting purposes computed in U.S. dollar, as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its subsidiaries is the U.S. dollar.

Other, including permanent differences of $3,747 in 2020 principally reflected non-deductible expenses related to the Transaction. Other, including permanent differences of $49 in 2019 reflected non-deductible expenses.

Changes in net income taxes payable (refundable) for the years ended December 31 were as follows:

	2020	2019
Balance – January 1	(380)	3,263
Amounts recorded in the consolidated statements of earnings (loss) and comprehensive income (loss)	2,567	3,845
Amounts recorded in total equity	(719)	(2,417)
Payments made during the year	(1,069)	(5,071)
Balance – December 31	399	(380)

Changes in net deferred income tax asset for the years ended December 31 were as follows:

	2020			2019		
	Investments	Other	Total	Investments	Other	Total
Balance – January 1	114	1,551	1,665	–	–	–
Amounts recorded in the consolidated statements of earnings (loss) and comprehensive income (loss)	(24)	(86)	(110)	114	–	114
Amounts recorded in equity		(720)	(720)	–	1,551	1,551
Balance – December 31	90	745	835	114	1,551	1,665

Management expects that the deferred income tax asset will be realized in the normal course of operations. The temporary differences included in the deferred income tax asset at December 31, 2020 and 2019 primarily related to share issuance costs.

Management reviews the recoverability of the potential deferred tax assets on an ongoing basis and adjusts, as necessary, to reflect its anticipated realization. At December 31, 2020 deferred tax assets not recorded by the company of $45,763 (December 31, 2019 – $10,009) were principally comprised of: (i) mark-to-market losses on South African investments of $17,555 (December 31, 2019 – $9,774); (ii) net capital losses and foreign accrual capital losses of $18,926 (December 31, 2019 – $111); (iii) foreign accrual property losses of $6,087 (December 31, 2019 – $114); (iv) other investment differences of $3,042 (December 31, 2019 – nil); and (v) share issuance and transaction costs of $153 (December 31, 2019 – $10). The foreign accrual property losses expire between 2039 and 2040.

At December 31, 2020 and 2019 net unrealized loss related to the company's African Investments resulted in no deferred income tax consideration for withholding and other taxes that could be payable on unremitted earnings of African Investments.

12. Financial Risk Management

Overview

The primary goals of the company's financial risk management 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 sheet from events that have the potential to materially impair its financial strength. 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 processes used by the company for managing those risk exposures at December 31, 2020 compared to those identified at December 31, 2019, except as described below.

COVID-19

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The company's African Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the company's African Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in various parts of the world. 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 other price risk) is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market price. The company is exposed to market risk principally in its investing activities and to the extent that those activities expose the company to foreign currency risk. The valuation of the company's investment portfolio is dependent upon the underlying performance of the companies within the portfolio, but may also be affected, along with other financial statement items, by fluctuations in foreign currency exchange rates, and market prices.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or 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.

In 2020 the company's net foreign currency exposure on balances denominated in currencies other than the U.S. dollar decreased compared to December 31, 2019. The decrease was principally related to the net change in unrealized losses and net foreign exchange losses on the company's investments in its indirect equity interest in AGH, GroCapital Holdings common shares, and Philafrica common shares, and net realized losses including net foreign exchange losses on the company's investments in the CIG common shares and the PGR2 Loan, partially offset by purchases of Other Public African Investments and net change in unrealized gains and foreign exchange gains on Other Public African Investments. The company's common shareholders' equity and net earnings (loss) may be significantly affected by foreign currency movements resulting from the company's South African rand-denominated investments. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at December 31, 2020 compared to December 31, 2019.

The company's net foreign currency exposure on balances denominated in currencies other than the U.S. dollar (expressed in U.S. dollars) are comprised as follows:

	December 31, 2020				December 31, 2019			
	Cash and cash equivalents, and restricted cash deposits	Investments	Interest receivable	Net exposure	Cash and cash equivalents, and restricted cash deposits	Investments	Interest receivable	Net exposure
Canadian dollars	333	–	–	333	87	–	–	87
South African rand[1]	11,225	115,928	1,245	128,398	23,343	196,121	465	219,929
Mauritian rupees	20	–	–	20	104	–	–	104
Total	11,578	115,928	1,245	128,751	23,534	196,121	465	220,120

(1) At December 31, 2020 the company was exposed to the South African rand primarily due to its investments in indirect equity interest in AGH, CIG Loan, Other Public African Investments, Philafrica common shares, the Philafrica Facility, and GroCapital Holdings common shares, and amounts on deposit at Grobank. At December 31, 2019 the company was exposed to the South African rand primarily due to its investments in indirect equity interest in AGH, CIG common shares, Philafrica common shares, GroCapital Holdings common shares, the PGR2 Loan, and the CIG Loan.

The table above shows the company's net exposure to all other currencies, other than the U.S. dollar. The company's net exposure to the South African rand decreased at December 31, 2020 compared to December 31, 2019 due to the factors discussed above.

The following table illustrates the potential impact on pre-tax earnings (loss) and net earnings (loss) of a hypothetical appreciation or depreciation in the South African rand (the foreign currency to which the company has the most exposure).

	December 31, 2020			December 31, 2019		
	Net foreign currency exposure	**Hypothetical $ change effect on pre-tax earnings (loss)**	**Hypothetical $ change effect on net earnings (loss)[(1)]**	**Net foreign currency exposure**	**Hypothetical $ change effect on pre-tax earnings (loss)**	**Hypothetical $ change effect on net earnings (loss)[(1)]**
Changes in South African rand exchange rate						
10.0% appreciation	141,238	12,840	9,437	241,922	21,993	16,165
5.0% appreciation	134,818	6,420	4,719	230,925	10,996	8,082
No change	128,398	–	–	219,929	–	–
5.0% depreciation	121,978	(6,420)	(4,719)	208,933	(10,996)	(8,082)
10.0% depreciation	115,558	(12,840)	(9,437)	197,936	(21,993)	(16,165)

(1) For the purpose of this 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.

Certain shortcomings are inherent with this method of analysis, including the assumption that the hypothetical appreciation or depreciation of the South African rand 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. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in African countries may affect the company's common shareholders' equity and net earnings (loss). The Manager actively monitors interest rates in African countries for the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at December 31, 2020 compared to December 31, 2019.

The company's exposure to interest rate risk decreased in 2020 primarily reflecting a change in the valuation technique to an expected recovery model for the company's investments in the Atlas Mara Bonds and the Philafrica Facility, a guarantee on the Atlas Mara Facility and a write-off of the PGR2 Loan. The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down in 100 basis point increments. This analysis was performed on each individual security, with the hypothetical effect on net earnings. This sensitivity analysis only includes the company's investments in the Nova Pioneer Bonds and the CIG Loan. The Fairfax Loan is excluded from this sensitivity analysis, as its sensitivity to changes in interest rates is minimal. Refer to note 6 for details on the valuation technique for fixed income African Investments, and note 13 for details on the valuation technique for the Fairfax Loan.

	December 31, 2020			December 31, 2019		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings (loss)[(1)]**	**Hypothetical % change in fair value**	**Fair value of fixed income portfolio**	**Hypothetical $ change effect on net earnings (loss)[(1)]**	**Hypothetical % change in fair value**
Change in interest rates						
200 basis point increase	53,135	(1,975)	(4.6)%	117,418	(2,730)	(2.8)%
100 basis point increase	54,386	(1,002)	(2.3)%	119,093	(1,380)	(1.4)%
No change	55,675	–	–	120,804	–	–
100 basis point decrease	57,000	1,030	2.4%	122,490	1,409	1.4%
200 basis point decrease	58,371	2,094	4.8%	124,045	2,598	2.7%

(1) For the purpose of this 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.

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date and these should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; these variations include non-parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment or limited partnership investment will fluctuate due to changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at December 31, 2020 compared to December 31, 2019 are described below.

The company holds significant equity and limited partnership investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition. As discussed earlier, COVID-19 has increased uncertainty and may adversely impact the fair value or future cash flows of the company's equity investments and limited partnership investments.

The company's exposure to market price risk increased to $364,809 at December 31, 2020 from $232,212 at December 31, 2019 primarily as a result of investments in TopCo LP Class A and Class B Limited Partnership Interests and Other Public African Investments, as well as additional investments in GroCapital Holdings common shares, and unrealized gains on the company's investments in Other Public African Investments, partially offset by the sale of Atlas Mara common shares and net losses on the indirect equity interest in AGH, CIG common shares, GroCapital Holdings common shares, and Philafrica common shares, and net foreign exchange losses on investments.

The following table illustrates the potential impact on pre-tax earnings (loss) and net earnings (loss) of a 20.0% change in the fair value of its investments classified as Level 1 in the fair value hierarchy at December 31, 2020 (10.0% change in the fair value of its investments classified as Level 1 in the fair value hierarchy at December 31, 2019). Refer to note 7 for the

potential impact on net earnings (loss) of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

	December 31, 2020		December 31, 2019	
Change in equity markets	+20.0%	−20.0%	+10.0%	−10.0%
Public African Investments, fair value at December 31	14,836	14,836	97,637	97,637
Hypothetical $ change effect on pre-tax earnings (loss)	2,967	(2,967)	9,764	(9,764)
Hypothetical $ change effect on net earnings (loss)[(1)]	2,181	(2,181)	8,470	(8,470)

(1) For the purpose of this 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.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company and arises predominantly with respect to cash and cash equivalents, restricted cash deposits, term deposits, short term investments and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the company's framework used to monitor, evaluate and manage credit risk at December 31, 2020 compared to December 31, 2019.

Significant changes in the company's exposure to credit risk are discussed below:

Cash and Cash Equivalents, and Short Term Investments

At December 31, 2020 the company's cash and cash equivalents of $66,052 (December 31, 2019 – $44,334) were comprised of $45,352 (December 31, 2019 – $9,621) at the holding company (principally in major Canadian financial institutions) and $20,700 (December 31, 2019 – $34,713) at the company's wholly-owned subsidiaries. At December 31, 2020 the company held $7,525 (December 31, 2019 – $13,298) on deposit with Grobank, which was reclassified as restricted cash deposits within the consolidated balance sheet at December 31, 2020 to reflect a lack of liquidity in the near term. The company monitors risks associated with cash and cash equivalents, and short term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions. 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 December 31, 2020 the company did not hold short term investments in U.S. treasuries (December 31, 2019 – $104,008).

Restricted Cash Deposits

At December 31, 2020 the company's restricted cash deposits of $7,525 was comprised of amounts held on deposit with Grobank (see note 13), classified as cash and cash equivalents at December 31, 2019. In connection with the closing of the Transaction, Fairfax guaranteed that $7,283 on deposit at Grobank may be withdrawn at any time after December 8, 2021. At December 31, 2019 the company's restricted cash deposits of $7,500 was comprised of amounts in a deposit account with African Banking Corporation Zambia Limited (''Atlas Mara Zambia''), a wholly owned subsidiary of Atlas Mara (see note 13), classified as term deposits at December 31, 2020. The company will continue to monitor the credit risk associated with restricted cash deposits by reviewing the financial strength and creditworthiness of the counterparties.

Term Deposits

At December 31, 2020 the company's term deposit of $12,392 (December 31, 2019 – nil) was comprised of amounts in a deposit account with Atlas Mara Zambia (see note 13), classified as restricted cash deposits at December 31, 2019. At December 31, 2020 Atlas Mara Zambia had deposited Government of Zambia Eurobonds (''Zambia Eurobonds'') with a fair value of $12,539 for the benefit of the company and cash collateral of $991 recorded within cash and cash equivalents, which are held in trust by HFP. In connection with the closing of the Transaction, Fairfax has also guaranteed that the term deposit of $12,392 plus accrued interest may be withdrawn at any time after December 8, 2021. The company will continue to monitor the credit risk associated with term deposits by reviewing the financial strength and creditworthiness of the counterparties and the fair value of collateral deposited for the benefit of the company.

Guarantees

On December 31, 2019 the company agreed to guarantee up to $20,000 in principal on a facility provided to Atlas Mara by TLG Credit Opportunities Fund (''TLG Capital'') (the ''TLG Facility''). Atlas Mara required the company's consent in order to draw more than $10,000 on the TLG Facility, which was secured by Atlas Mara's shares in Atlas Mara Botswana. At December 31, 2020 Atlas Mara had drawn $8,000 on the TLG Facility and the fair value of the Atlas Mara Botswana shares held as collateral was $11,044. This contract is a financial guarantee contract with a nominal fair value at December 31, 2020.

Subsequent Events

On January 8, 2021, TLG Capital called the TLG Facility and as Atlas Mara was unable to meet the call, TLG Capital enforced the guarantee contract with the company. As a result, on January 19, 2021, the company delivered notice of enforcement to Atlas Mara, which entitles the company to various rights, including the right to take over certain Atlas Mara Botswana shares with a fair value of $11,044, and paid $8,474 in principal, interest, and fees to TLG Capital in settlement of the guarantee.

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.

At December 31, 2020 the company's debt instruments were all considered to be subject to credit risk with a fair value of $135,004 (December 31, 2019 – $120,804) representing 22.5% (December 31, 2019 – 23.7%) of the total cash and investments. Management monitors term deposits and has determined that the associated credit risk is limited due to existing collateral arrangements as discussed above.

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

	December 31, 2020		December 31, 2019	
	Principal	**Fair value**	**Principal**	**Fair value**
Loans:[1]				
CIG Loan	23,867	19,254	23,867	20,744
PGR2 Loan	–	–	23,939	21,240
Atlas Mara Facility[2]	42,589	30,346	–	–
Philafrica Facility[2]	6,065	7,164	–	–
Fairfax Loan	20,000	19,411	–	–
	92,521	76,175	47,806	41,984
Bonds:[1]				
Atlas Mara 11.0% Convertible Bonds[2]	19,988	2,442	17,943	18,296
Atlas Mara 7.5% Bonds	20,000	19,966	20,000	18,431
Nova Pioneer Bonds[2]	45,256	36,421	40,149	42,093
	85,244	58,829	78,092	78,820
Total loans and bonds	177,765	135,004	125,898	120,804

(1) The company's debt instruments are not rated.

(2) Principal amounts are inclusive of capitalized interest.

The company's investment in loans and bonds increased, but its exposure to credit risk from its investment in fixed income securities decreased at December 31, 2020 compared to December 31, 2019 primarily reflecting Fairfax's guarantee of all principal and interest obligations of Atlas Mara under the Atlas Mara Facility. The company's investment in loans and bonds increased primarily reflecting investments in the Atlas Mara Facility, the Philafrica Facility, and the Fairfax Loan, and capitalized interest on the Nova Pioneer Bonds, the Atlas Mara Facility, Atlas Mara 11.0% Convertible Bonds and the

Philafrica Facility, partially offset by unrealized losses on fixed income securities and foreign exchange losses on the CIG Loan.

Subsequent to December 31, 2020, the company's exposure to credit risk from its investment in fixed income securities is expected to decrease further as a result of the $100,000 HFP 3.0% Debentures with Fairfax. The redemption amount of the HFP 3.0% Debentures will be adjusted for the amount, if any, by which the aggregate fair value of the company's indirect equity interest in AGH, Philafrica common shares, the Philafrica Facility, and the PGR2 Loan ($80,439 at December 31, 2020), is lower than $102,600.

The company assesses the creditworthiness of each new counterparty prior to entering into contracts. Management monitors credit risk from its African Investments in debt instruments through reviewing financial performance of its counterparties, collateral arrangements, diversification, and other credit risk mitigation techniques. At December 31, 2020 the company had granted interest deferrals of $2,849 related to the Atlas Mara 7.5% Bonds, $1,785 related to the Nova Pioneer Bonds and $1,099 (16.1 million South African rand) related to the CIG Loan (see note 6).

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at December 31, 2020 compared to December 31, 2019.

The undeployed cash and investments at December 31, 2020 provide adequate liquidity to meet the company's remaining known significant commitments over the next twelve months, which are principally comprised of the investment and advisory fees, Helios Transaction expenses, general and administration expenses and corporate income taxes. The company has adequate working capital to support its operations.

The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent HFP has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts required by each Helios Fund in accordance with their respective governing documents. 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, the risk of which is partially mitigated by the six-month holding period of Net Management Fee Proceeds by TopCo LP. The company is required to compensate the Co-Chief Executive Officers up to a maximum of $500 each per year, to the extent that each of their annual salaries of $2,000 per year are not fully paid by the Manager.

At December 31, 2020 there were no performance fee obligations. Refer to note 13 for details on the settlement of the performance fees, if any, at the end of the second calculation period ended December 31, 2020.

Concentration Risk

The company's cash and investments are primarily concentrated in Africa and in African businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment of African countries in which 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 total cash and investments by the regions where the primary underlying risk of the issuer's businesses resides is presented in the following table. The fair values of African Investments were allocated based on the issuer's revenue from each region.

	December 31, 2020					December 31, 2019				
	South Africa	Sub-Saharan Africa[1]	Canada and U.S.	Other	Total	South Africa	Sub-Saharan Africa[1]	Canada and U.S.	Other	Total
Cash and cash equivalents	3,045	17,655	45,352	–	66,052	23,224	11,489	9,621	–	44,334
Restricted cash deposits	7,525	–	–	–	7,525	–	7,500	–	–	7,500
Term deposits	–	12,392	–	–	12,392	–	–	–	–	–
Short term investments – U.S. treasuries	–	–		–	–	–	–	104,008	–	104,008
Limited partnership investments:										
TopCo LP Class A Limited Partnership Interest[2]	–	–	–	88,465	88,465	–	–	–	–	–
TopCo LP Class B Limited Partnership Interest[2]	–	–	–	186,834	186,834	–	–	–	–	–
	–	–	–	275,299	275,299	–	–	–	–	–
Loans:										
CIG Loan[3]	7,503	11,316	–	435	19,254	8,084	12,192	–	468	20,744
PGR2 Loan	–	–	–	–	–	21,240	–	–	–	21,240
Atlas Mara Facility[4]	–	30,346	–	–	30,346	–	–	–	–	–
Philafrica Facility[5]	7,164	–	–	–	7,164	–	–	–	–	–
Fairfax Loan	–	–	19,411	–	19,411	–	–	–	–	–
	14,667	41,662	19,411	435	76,175	29,324	12,192	–	468	41,984
Bonds:										
Atlas Mara 11.0% Convertible Bonds[4]	–	2,442	–	–	2,442	–	18,296	–	–	18,296
Atlas Mara 7.5% Bonds[4]	–	19,966	–	–	19,966	–	18,431	–	–	18,431
Nova Pioneer Bonds[6]	20,796	15,625	–	–	36,421	20,015	22,078	–	–	42,093
	20,796	38,033	–	–	58,829	20,015	58,805	–	–	78,820
Common stocks:										
Atlas Mara[4]	–	–	–	–	–	–	78,075	–	–	78,075
CIG[3]	–	–	–	–	–	7,624	11,497	–	441	19,562
Other[7]	14,836	–	–	–	14,836	–	–	–	–	–
Indirect equity interest in AGH[8]	21,246	4,713	–	38,251	64,210	55,246	26,011	–	23,719	104,976
Philafrica[5]	9,065	–	–	–	9,065	14,328	4,943	–	–	19,271
GroCapital Holdings	1,399	–	–	–	1,399	10,328	–	–	–	10,328
	46,546	4,713	–	38,251	89,510	87,526	120,526	–	24,160	232,212
Derivatives and guarantees:										
Atlas Mara Warrants[4]	–	–	–	–	–	–	83	–	–	83
Nova Pioneer Warrants[6]	–	–	–	–	–	693	765	–	–	1,458
Atlas Mara Facility Guarantee	–	–	13,252	–	13,252	–	–	–	–	–
	–	–	13,252	–	13,252	693	848	–	–	1,541
Total cash and investments	92,579	114,455	78,015	313,985	599,034	160,782	211,360	113,629	24,628	510,399

(1) Sub-Saharan Africa is geographically, the area of the continent of Africa that lies south of the Sahara Desert. It encompasses 46 of Africa's 54 countries including: Angola, Botswana, Congo-Brazzaville, Côte d'Ivoire, Ethiopia, Kenya, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. For the purposes of assessing concentration risk, HFP's investments in South Africa are disclosed separately.

(2) TopCo LP is the investment vehicle through which HFP receives its share of cash flows arising from the fee streams of current and future Helios Funds. The Helios private equity funds are domiciled in the Cayman Islands and invest 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.

(3) CIG's footprint extends across 20 African countries and the Middle East. Key countries include South Africa, Angola, Ethiopia, Kenya, and Nigeria.

(4) Atlas Mara is listed on the London Stock Exchange and has acquired control or significant influence positions in banking operations across seven countries in Sub-Saharan Africa: Botswana, Nigeria, Zimbabwe, Zambia, Mozambique, Rwanda and Tanzania.

(5) At December 31, 2019 Philafrica had food-related businesses outside of South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry business in Mozambique. In 2020 these businesses were discontinued.

(6) In addition to South Africa, Nova Pioneer also has school campuses in Kenya.

(7) Comprised of common shares of public companies listed on the Johannesburg Stock Exchange.

(8) Acquired through the company's ownership in the investment holding company Joseph Holdings. In addition to South Africa, AGH currently has operational activities in Zambia, Zimbabwe, Mozambique, Congo-Brazzaville, Botswana and Côte d'Ivoire. AGH also has John Deere operations in several markets in Africa and Western Australia, an animal feeds research development venture in the United Kingdom and an investment in animal feeds in the United States.

The company's holdings of Public and Private African Investments (see note 6) at December 31, 2020 and 2019 are summarized by the issuer's primary sector in the table below:

	December 31, 2020	**December 31, 2019**
Asset management	275,299	–
Food and agriculture	80,439	124,247
Financial services	54,153	125,213
Education	36,421	43,551
Infrastructure	19,254	40,306
Other	14,836	21,240
	480,402	354,557

During 2020 the company's concentration risk in the asset management sector increased due to its investments in TopCo LP Class A and Class B Limited Partnership Interests. The company's concentration risk in the food and agriculture sector decreased primarily as a result of unrealized losses and foreign exchange losses on the company's indirect equity interest in AGH and Philafrica common shares, partially offset by investments in the company's indirect equity interest in AGH, the Philafrica Facility and foreign exchange gains on the Philafrica Facility. The company's concentration risk in the financial services sector decreased primarily as a result of the sale of Atlas Mara common shares to Fairfax, unrealized losses on the Atlas Mara 11.0% Convertible Bond, Atlas Mara Facility, and GroCapital Holdings common shares, partially offset by investments in the Atlas Mara Facility, additional investments in GroCapital Holdings common shares, and capitalized interest on the Atlas Mara Facility and Atlas Mara 11.0% Convertible Bonds. The company's concentration risk in the education sector decreased primarily as a result of unrealized losses on Nova Pioneer Bonds and net losses on Nova Pioneer Warrants, partially offset by capitalized interest on Nova Pioneer Bonds. The company's concentration risk in the infrastructure sector decreased primarily as a result of the write-down of the CIG common shares, and unrealized and foreign exchange losses on the CIG Loan. The company's concentration risk in the other sector decreased primarily as a result of the write-down of the PGR2 Loan partially offset by investments in Other Public African Investments and unrealized gains and foreign exchange gains on Other Public African Investments.

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the ''Investment Concentration Restriction''). On April 15, 2020 the company received shareholders' approval of a special resolution allowing the company to make additional investments in Atlas Mara where, after giving effect to such investment, the total invested amount in Atlas Mara (calculated on a fair value basis) would be less than or equal to 40.0% of the company's total assets at the time of such investment. On December 4, 2020 the company received common shareholders' approval of a special resolution allowing the company to invest in TopCo LP Class A and Class B Limited Partnership Interests where, after giving effect to such investment, the total invested amount in TopCo LP (calculated on a fair value basis) would exceed 25.0% of the company's total assets at the time of such investment. The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction increased at December 31, 2020 from December 31, 2019 principally as a result of TopCo LP Class A and Class B Limited Partnership Interests received as non-cash consideration for shares issued in connection with the Transaction, partially offset by net realized losses on investments and net foreign exchange losses as described above, Helios Transaction expenses, and general and administration expenses.

African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

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, was $599,735 at December 31, 2020 (December 31, 2019 – $518,815). The increase was principally related to issuances of subordinate voting shares and multiple voting shares to the Helios Holdings Group in consideration for TopCo LP Class A and Class B Limited Partnership Interests, partially offset by a net loss of $206,646 and purchases for cancellation of 463,506 subordinate voting shares for a net cost of $1,850.

On December 21, 2018 the company drew $30,000 from the Credit Facility with a 3-month term that was repaid on March 21, 2019 along with accrued interest of $509. On September 7, 2019 the Credit Facility matured. On December 20, 2019 the company entered into the Second Credit Facility. On December 20, 2020 the Second Credit Facility matured and was not renewed. Refer to note 8 for details.

13. Related Party Transactions

Payable to Related Parties

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

	December 31, 2020			December 31, 2019		
	Helios[(1)]	Fairfax	Total	Helios	Fairfax	Total
Investment and advisory fees	201	709	910	–	1,524	1,524
Management services fees	–	107	107	–	–	–
Helios Transaction expenses	–	2,532	2,532	–	–	–
Management compensation	63	–	63	–	–	–
Other	–	48	48	–	31	31
	264	3,396	3,660	–	1,555	1,555

(1) Investment and advisory fees are paid to TopCo LP and Management compensation is paid to Tope Lawani and Babatunde Soyoye.

Investment in TopCo LP

Upon closing of the Transaction, the company acquired all of the issued and outstanding TopCo LP Class A and Class B Limited Partnership Interests from HHL and HHPL. TopCo LP was formed as the investment vehicle through which HFP will receive cash flows from its entitlement to certain Helios fee streams and has entered into a sub-advisory agreement with Helios Investment Partners LLP, to provide investment and advisory services to HFP. Further details on the company's transactions with TopCo LP are discussed earlier in note 6.

Investment Advisory Agreements

On December 8, 2020, the company and its subsidiaries terminated the Former Investment Advisory Agreement with HWIC and entered into a new administration and investment advisory services agreement with TopCo LP (the ''Investment Advisory Agreement'') pursuant to which TopCo LP replaced HWIC and Fairfax and became the new portfolio advisor and portfolio administrator to the company and its subsidiaries. TopCo LP immediately entered into a sub-investment and advisory agreement with Helios Investments Partners LLP (the ''Manager'') pursuant to which the Manager was appointed as TopCo LP's sub-advisor for the purposes of the Investment Advisory Agreement. As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity adjusted to exclude TopCo LP.

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 the TopCo LP Limited Partnership Interests 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 terms of the Former Investment Advisory Agreement, the calculation above was based on book value per share. Due to the termination of the Former Investment Advisory Agreement, the second calculation period was ended December 31, 2020 and the company determined that there was no performance fee payable (December 31, 2019 – nil) as the book value per share of $5.50 (before factoring in the impact of the performance fee) at December 31, 2020 was less than the hurdle per share at that date of $9.06.

Under the Investment Advisory Agreement, the period from January 1, 2021 to December 31, 2023 is the first three-year period for which a performance fee, if applicable, will be payable to TopCo LP. At January 1, 2021, the hurdle per share was $2.97.

Under the Investment Advisory Agreement, 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.

Investment and Advisory Fees

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital and the fair value of TopCo LP Class A and Class B Limited Partnership Interests. In 2020 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. In 2020 investment and advisory fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) was $4,128 (2019 – $6,572), of which $3,927 was incurred under the Former Investment Advisory Agreement and $201 was incurred under the Investment Advisory Agreement (2019 – $6,572 and nil respectively).

Management Services Agreement

On December 8, 2020 the company entered into a management services agreement with Fairfax (the ''Management Services Agreement''), pursuant to which Fairfax will provide certain services to the company and its subsidiaries on a two-year transitional basis for $1,700 in the first year and $2,125 in the second year, paid quarterly in arrears. In 2020 management services fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) was $107 (2019 – nil).

Helios Transaction Expenses

Helios Transaction expenses payable of $2,532 at December 31, 2020 (December 31, 2019 – nil) was comprised of amounts due to Fairfax for Transaction expenditures paid by Fairfax on behalf of the company.

Other

Other payable of $48 at December 31, 2020 (December 31, 2019 – $31) was primarily comprised of amounts due to Fairfax for expenses incurred by Fairfax and HWIC on behalf of the company.

Fairfax's Voting Rights and Equity Interest

At December 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 5,279,489 subordinate voting shares of HFP (December 31, 2019 – 30,000,000 and 6,885,421 respectively).

At December 31, 2020 Fairfax's holdings of multiple and subordinate voting shares represented 53.3% of the voting rights and 32.3% of the equity interest in HFP (December 31, 2019 – 98.5% and 62.0%).

Helios' Voting Rights and Equity Interest

At December 31, 2020 Principal Holdco, a Luxembourg holding company, indirectly owned by Tope Lawani and Babatunde Soyoye, owned 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP (December 31, 2019 – nil for both).

At December 31, 2020 Helios' holdings of multiple and subordinate voting shares represented 45.9% of the voting rights and 45.9% of the equity interest in HFP (December 31, 2019 – nil for both).

Management Compensation

Under the Former Investment Advisory Agreement, Fairfax was required to provide a Chief Executive Officer, Chief Financial Officer and Corporate Secretary to the company. For so long as the Former Investment Advisory Agreement remained in effect, all compensation payable to the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary of the company was borne by Fairfax. In addition, all compensation payable to the company's former Vice President was borne by Fairfax.

Under the Management Services Agreement, Fairfax will provide a Chief Financial Officer and Corporate Secretary to the company during a transition period. For so long as the Management Services Agreement remains in effect, all compensation payable to the Chief Financial Officer and the Corporate Secretary of the company will be borne by Fairfax.

The company is required to compensate the Co-Chief Executive Officers up to a maximum of $500 each per year, to the extent that each of their annual salaries of $2,000 per year are not fully paid by the Manager. In 2020 management compensation recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) was $63 (2019 – nil).

Director Compensation

Compensation for the company's Board of Directors for the years ended December 31, determined in accordance with the company's IFRS accounting policies, was recognized in general and administration expenses in the consolidated statements of earnings (loss) and comprehensive income (loss) as follows:

	2020	**2019**
Retainers and fees	235	146
Share-based payments	67	108
	302	254

Special Incentive Plan

On December 8, 2020 and in connection with the closing of the Transaction (see note 2), the company adopted the Special Incentive Plan pursuant to which 2,505,637 options to purchase subordinate voting shares of the company were granted to the SIP Recipients. Options issued under the Special Incentive Plan vested immediately on grant date and had an exercise price of $3.99 per share and maturity date of December 8, 2030. The options may also be exercised by way of a cashless exercise, at the participant's option, where the company will issue shares equivalent to the amount by which the aggregate fair market value of the shares at time of exercise exceed the exercise price, less any applicable withholding taxes. At December 31, 2020 the maximum number of options under the Special Incentive Plan had been issued, and none of the options granted were exercised.

In 2020 the company recorded share based payment expense of $5,804 in general and administration expenses within the consolidated statement of earnings (loss) and comprehensive income (loss) with respect to options granted under the Special Incentive Plan.

Helios Transaction – Related Party Financial Instruments

In connection with the Transaction, the company entered into related party transactions with Fairfax to purchase and guarantee certain of the company's cash and investment holdings during 2020 (see note 2 and discussion below). These transactions were recorded on the consolidated balance sheet, the consolidated statement of earnings (loss) and comprehensive income (loss) and the consolidated statement of changes in equity as follows:

	December 31, 2020		Year ended December 31, 2020	
Financial instrument	**Balance sheet line**	**Fair value**	**Net gains (losses) on investments**	**Common shareholders' equity**
Atlas Mara Forward Derivative	Derivatives and guarantees	–	4,801	6,056
Fairfax Loan	Loans	19,411	–	(603)
Atlas Mara Facility Guarantee[1]	Derivatives and guarantees	13,252	10,453	2,799
Atlas Mara Zambia Term Deposit Guarantee[2]	Derivatives and guarantees	–	–	–
Grobank Deposit Guarantee[3]	Derivatives and guarantees	–	–	–
		32,663	15,254	8,252

(1) Relates to the Atlas Mara Facility which had a fair value of $30,346 at December 31, 2020, recorded in loans within the consolidated balance sheet.

(2) Relates to the Atlas Mara Zambia Term Deposit which had a fair value of $12,392 at December 31, 2020, recorded in term deposits within the consolidated balance sheet (December 31, 2019 – $7,500 recorded in restricted cash deposits).

(3) Relates to amounts on deposit at Grobank which had a fair value of $7,525 at December 31, 2020, recorded in restricted cash deposits within the consolidated balance sheet (December 31, 2019 – $13,298 recorded in cash and cash equivalents).

Atlas Mara Forward Derivative

On July 10, 2020 in connection with the Transaction (see note 2), the company entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for proceeds of $40,000, giving rise to a forward derivative (the ''Atlas Mara Forward Derivative''). On July 10, 2020, as a result of the decline in the fair value of Atlas Mara, the Atlas Mara sales proceeds of $40,000 exceeded the fair value of Atlas Mara common shares by $6,056. This difference was recorded as a benefit in contributed surplus within common shareholders' equity. On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000. As a result of a further decline in Atlas Mara's share price from July 10, 2020 to Transaction closing, the company recognized a realized gain on the settlement of the Atlas Mara Forward Derivative of $4,801.

Fairfax Loan

On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000. Net proceeds were comprised of $20,000 in cash and $20,000 in the interest-free Fairfax Loan due from Fairfax no later than three years from closing of the Transaction. The company estimated the fair value of the benefit to Fairfax of the interest-free loan to be $603, which was recognized in retained earnings (deficit) within the consolidated statement of changes in equity.

At December 31, 2020 the company determined that the amortized cost of the Fairfax Loan of $19,411 approximated fair value.

Atlas Mara Facility Guarantee

On July 10, 2020 in connection with the Transaction (see note 2), 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 derivatives and guarantees within the consolidated balance sheet.

At inception, the difference between fair value ($2,799) and transaction price (nil) of the Atlas Mara Facility Guarantee was recorded in contributed surplus within common shareholders' equity. At December 31, 2020 the company estimated the fair value of its investment in the Atlas Mara Facility Guarantee using the fair value at that date of the Atlas Mara Facility compared to the present value of the interest and repayment obligations of the Atlas Mara Facility guaranteed by Fairfax,

discounted using observable default spreads specific to Fairfax. Refer to note 6 for details on the valuation methodology used to determine the fair value of the Atlas Mara Facility.

As a result of a further decline in the fair value of the Atlas Mara Facility from July 10, 2020 to December 31, 2020, the company recorded an unrealized gain on the Atlas Mara Facility Guarantee of $10,453. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Facility Guarantee was $13,252.

Atlas Mara Zambia Term Deposit

On December 13, 2019 the company entered into a term deposit agreement with Atlas Mara Zambia whereby the company agreed to place up to $15,000 with Atlas Mara Zambia as a term deposit, bearing interest at a rate of LIBOR plus 400 basis points. The company placed the term deposit in Atlas Mara Zambia in two tranches: (i) $7,500 deposited on December 20, 2019 (the ''First Tranche''; and (ii) $4,890 deposited on February 14, 2020 (the ''Second Tranche''). Atlas Mara directed the company to wire the Second Tranche directly to a third party creditor and agreed to record the term deposit. Atlas Mara Zambia has been unable to record the term deposit as it has not yet received regulatory approval from the Central Bank of Zambia. Atlas Mara is pursuing this matter and discussions are ongoing. The term deposit matured on December 18, 2020 and was renewed to June 18, 2021. The term deposit is collateralized with Zambia Eurobonds with a fair value of $12,539 deposited for the benefit of the company and cash collateral of $991 recorded within cash and cash equivalents, which are held in trust by HFP. In connection with the closing of the Transaction, Fairfax has also guaranteed that the term deposit of $12,392 plus accrued interest may be withdrawn at any time after December 8, 2021.

At December 31, 2020 the company had a term deposit of $12,392 (December 31, 2019 – $7,500), recorded at the value of the cash placed on deposit with Atlas Mara Zambia and supported by the collateral held for the benefit of the company. In 2020 the Atlas Mara Zambia Term Deposit was transferred from Level 1 to Level 2 and from restricted cash deposits to term deposit as a result of a decline in the fair value of the underlying Zambia Eurobonds and cash pledged as collateral relative to the term deposit balance.

Deposits on Account with Grobank

At December 31, 2020 the company held $7,525 (December 31, 2019 – $13,298) in deposit accounts with Grobank. In connection with the closing of the Transaction, Fairfax guaranteed that $7,283 on deposit at Grobank may be withdrawn at any time after December 8, 2021.

HFP 3.0% Debentures

Subsequent Events

On January 21, 2021, the company announced it had agreed to enter into an arrangement with Fairfax, whereby Fairfax will invest $100,000 in 3.0% unsecured debentures of HFP (the ''HFP 3.0% Debentures'') and 3 million warrants of HFP subordinate voting shares (the ''HFP Warrants'') with an exercise price of $4.90, exercisable at any time prior to the fifth anniversary of the closing date. The net proceeds expected from the HFP 3.0% Debentures will primarily be used to make additional African Investments. The HFP 3.0% Debentures mature three years from the closing date and contain a put option at Fairfax's option on each of the first two anniversary dates of closing. At maturity or on redemption, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility, and the PGR2 Loan (collectively, the ''Reference Investments'') is lower than $102,600. At December 31, 2020 the Reference Investments had a fair value of $80,439.

Other Related Party Financial Instruments

Guarantor for Atlas Mara Loan from TLG Capital

On December 31, 2019 the company agreed to guarantee up to $20,000 in principal on a facility provided to Atlas Mara by TLG Capital. Atlas Mara required the company's consent in order to draw more than $10,000 on the TLG Facility, which was secured by Atlas Mara's shares in Atlas Mara Botswana. At December 31, 2020 Atlas Mara had drawn $8,000 on the TLG Facility and the fair value of the Atlas Mara Botswana shares held as collateral was $11,044. This contract is a financial guarantee contract with a nominal fair value at December 31, 2020.

Subsequent Events

On January 8, 2021, TLG Capital called the TLG Facility and as Atlas Mara was unable to meet the call, TLG Capital enforced the guarantee contract with the company. As a result, on January 19, 2021, the company delivered notice of enforcement to Atlas Mara, which entitles the company to various rights, including the right to take over certain Atlas Mara Botswana shares with a fair value of $11,044, and paid $8,474 in principal, interest, and fees to TLG Capital in settlement of the guarantee.

14. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns, that are different from those of segments operating in other economic environments.

The company has concluded that HFP is engaged in a single geographic and business segment, that of investing in Africa and African investments.

15. General and Administration Expenses

General and administration expenses for the years ended December 31 were comprised as follows:

	2020	**2019**
Audit, legal and tax professional fees	1,480	1,765
Administrative expenses	712	539
Salaries and employee benefit expenses	1,478	1,331
Special Incentive Plan	5,804	–
Brokerage fees	54	42
	9,528	3,677

Special Incentive Plan

On December 8, 2020 and in connection with the closing of the Transaction (see note 2), the company adopted the Special Incentive Plan pursuant to which 2,505,637 options to purchase subordinate voting shares of the company were granted to the SIP Recipients. Options issued under the Special Incentive Plan vested immediately on grant date and had an exercise price of $3.99 per share and maturity date of December 8, 2030. The options may also be exercised by way of a cashless exercise, at the participant's option, where the company will issue shares equivalent to the amount by which the aggregate fair market value of the shares at time of exercise exceed the exercise price, less any applicable withholding taxes. At December 31, 2020 the maximum number of options under the Special Incentive Plan had been issued, and none of the options granted were exercised.

On December 8, 2020, the company estimated the fair value of the options granted under the Special Incentive Plan using an industry accepted option pricing model that incorporated an underlying share price of $4.09 per share, exercise price of $3.99 per share, expected volatility of 45.8%, option life of ten years, no expected dividends, and risk-free rate of 1.3%. Expected volatility was determined based on daily historical volatility of HFPC.U (formerly FAH.U) since initial public offering on February 17, 2017.

In 2020 the company recorded share based payment expense of $5,804 in general and administration expenses within the consolidated statement of earnings (loss) and comprehensive income (loss) with respect to options granted under the Special Incentive Plan.

16. Helios Transaction Expenses

The Helios Transaction expenses relate to amounts incurred by HFP and Helios with respect to the Transaction. The company has agreed to pay all Transaction-related expenses, including legal, advisory, and other professional fees related to the Transaction. Helios Transaction expenses for the years ended December 31 were comprised as follows:

	2020	2019
Advisor to the Special Committee of the Board of Directors of HFP	1,512	–
Financial Advisor to Helios	5,021	–
Special Committee and incremental Directors fees	85	–
Other legal and financial professional fees	9,889	–
	16,507	–

Helios Transaction expenses payable of $8,247 at December 31, 2020 (December 31, 2019 – nil) included $2,532 due to Fairfax, recorded in payable to related parties, and $5,715 recorded in accounts payable and accrued liabilities within the consolidated balance sheet.

17. Supplementary Cash Flow Information

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

	December 31, 2020	December 31, 2019
Cash and balances with banks	43,551	44,334
U.S. treasuries	22,501	–
	66,052	44,334

Details of certain cash flows included within the consolidated statements of cash flows for the years ended December 31 were as follows:

	2020	2019
Purchases of investments		
Loans	(45,129)	(12,813)
Bonds	–	(8,721)
Common stocks[(1)]	(26,025)	(52,101)
Derivatives and guarantees	–	(506)
	(71,154)	(74,141)
Disposals of investments		
Loans	–	12,939
Common stocks	20,000	7,936
	20,000	20,875
Net interest received (paid)		
Interest received	2,603	9,039
Interest paid on borrowings	–	(509)
Financing fees paid on borrowings	–	(800)
	2,603	7,730
Dividends received	15	2,381
Income taxes paid	1,069	5,071

(1) Purchases of common stocks in 2020 includes an investment of $10,132 in the company's indirect equity interest in AGH invested through a shareholder loan to Joseph Holdings (see note 6).

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

Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations 75
Business Developments 75
Overview 75
Helios Transaction 76
Capital Transactions 77
African Investments 77
Operating Environment 77
Business Objectives 79
Investment Objective 79
Investment Strategy 79
Investment Selection 80
Investment Restrictions 81
African Investments 81
Cautionary Statement Regarding Financial Information of Significant African Investments 81
Summary of African Investments 82
Summary of Changes in the Fair Value of the Company's African Investments 83
Public African Investments 85
Private African Investments 87
Results of Operations 104
Consolidated Balance Sheet Summary 106
Financial Risk Management 109
Capital Resources and Management 109
Book Value per Share 109
Liquidity 110
Contractual Obligations 112
Related Party Transactions 112
Accounting and Disclosure Matters 116
Management's Evaluation of Disclosure Controls and Procedures 116
Management's Report on Internal Control Over Financial Reporting 116
Critical Accounting Estimates and Judgments 116
Significant Accounting Policy Changes 117
Future Accounting Changes 117
Risk Management 117
Overview 117
Risks 117
Other 125
Quarterly Data 125
Stock Prices and Share Information 125
Compliance with Corporate Governance Rules 126
Forward-Looking Statements 126

(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 of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations (''MD&A'') should review the entire Annual Report 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 consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Board (''IASB''), and is presented in U.S. dollars which is also the functional currency of the company and its consolidated subsidiaries.

(3) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity at the end of the period, determined in accordance with IFRS, divided by the total number of common shares of the company effectively outstanding on that date. Those amounts are presented in the consolidated balance sheet and note 9 (Common Shareholders' Equity under the heading Common Stock) respectively within the consolidated financial statements for the year ended December 31, 2020. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee payable, if any, to Fairfax Financial Holdings Limited (''Fairfax'') and HFA Topco, L.P. (''TopCo LP'' or the ''Portfolio Advisor'').

(4) The MD&A contains references to ''Cash used in operating activities excluding the impact of changes in restricted cash deposits, changes in term deposits and net sales (purchases) of investments'', which provides a measure of 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, Helios Transaction expenses, and general and administration expenses, and excludes the impact of changes to restricted cash deposits, changes to term deposits and purchases and sales of investments. This measure is not a standard measurement under IFRS and therefore may not be comparable to similar measures presented by other issuers.

(5) Throughout this MD&A, the term ''African Investments'' refers to deployed capital invested in Public and Private African Investments as disclosed in note 6 (African Investments) to the consolidated financial statements for the year ended December 31, 2020.

Business Developments

Overview

Fairfax provides certain services under a Management Services Agreement between HFP and Fairfax, effective December 8, 2020. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. TopCo LP, an affiliate of Helios Holdings Limited (''HHL'') (together with one or more of its affiliates, as the context requires, the ''Helios Holdings Group''), is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. TopCo LP has appointed Helios Investment Partners LLP (the ''Manager''), a registered portfolio manager in the United Kingdom, as its sub-advisor. The company's subordinate voting shares trade on the Toronto Stock Exchange (''TSX'') under the symbol HFPC.U. In December 2020, following completion of the Transaction, the TSX ticker for the company's subordinate voting shares was changed from FAH.U to HFPC.U. The multiple voting shares of the company are not traded.

The book value per share of the company at December 31, 2020 was $5.50 compared to $8.72 at December 31, 2019 representing a decrease in 2020 of 36.9%, primarily reflecting a net loss of $206,646 (principally due to net realized losses and net change in unrealized losses on the company's African Investments still held, Helios Transaction expenses, net foreign exchange losses and increased general and administration expenses, partially offset by net change in unrealized gains on investments which principally reflected reversal of prior period losses on the company's realized positions).

The following narrative sets out the company's key business developments in 2020 and 2019.

Helios Transaction

On December 8, 2020 the company closed the previously announced transaction with HHL, pursuant to which Helios Holdings Limited contributed its entitlement to cash flows arising from certain fee streams (as described below) to HFP in exchange for a 45.9% equity and voting interest in HFP (the ''Transaction''). Upon closing of the Transaction, the company was renamed Helios Fairfax Partners Corporation and its subordinate voting shares continued to be listed on the Toronto Stock Exchange.

Helios Investment Partners LLP is the largest Africa-focused private investment firm, with a record that spans creating start-ups to providing established companies with growth capital and expertise. Led and predominantly staffed by African professionals with the language skills and cultural affinity to engage with local entrepreneurs, managers and intermediaries on the continent, Helios leverages its local and global networks to identify business opportunities and structure proprietary transactions around them. The firm's unique combination of a deep knowledge of the African operating environment, a singular commitment to the region and a proven capability to manage complexity, is reflected in the firm's diverse portfolio of growing, market-leading businesses and its position as a partner of choice of multinational corporations in Africa. Helios is among the world's largest emerging markets-focused private equity firms to receive B Corp certification. B Corp status recognizes the firm's long-standing commitment to sustainability and responsible business practices.

As consideration for a 45.9% equity and voting interest in HFP, Helios Holdings Limited contributed cash flows arising from the following fee stream entitlements:

- 100% of all management and other fees paid to Helios and its affiliates in connection with the management of any existing or future fund (including the management of HFP and its subsidiaries), less expenses, administrative fees, and other operation fees relating to the management of those funds;
- 25% of carried interest amounts generated by any existing fund managed by Helios or any of its affiliates, excluding Helios Investors IV, L.P.; and
- 50% of carried interest amounts generated by any future fund managed by Helios or any of its affiliates, including Helios Investors IV, L.P.

On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000. Net proceeds were comprised of $20,000 in cash and $20,000 in an interest-free loan due from Fairfax no later than three years from closing of the Transaction (the ''Fairfax Loan''). In addition, Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee. Fairfax has also guaranteed that the Atlas Mara Zambia Term Deposit of $12,392 plus accrued interest and $7,283 of restricted cash deposits at Grobank may be withdrawn at any time after December 8, 2021.

Upon closing of the Transaction, the company entered into an administration and investment advisory services agreement with TopCo LP (the ''Investment Advisory Agreement''), which appointed Helios Investment Partners LLP (the ''Manager'') as its sub-advisor. The Investment Advisory Agreement replaced the previous investment advisory agreement (the ''Former Investment Advisory Agreement'') with Hamblin Watsa Investment Counsel Ltd. (''HWIC'' or the ''Former Portfolio Advisor''). The Portfolio Advisor has discretionary authority to negotiate and complete investments on behalf of the company. The Portfolio Advisor will request approval from the company's board of directors, by simple majority, prior to making any investment in excess of the greater of 10% of HFP's Net Asset Value and $50.0 million; and will not make any insurance-related investment without the prior written consent of Fairfax.

Upon closing of the Transaction, Tope Lawani and Babatunde Soyoye (the co-founders and Managing Partners of the investment advisor to the Helios Funds) were appointed as Co-Chief Executive Officers of HFP and Michael Wilkerson was appointed Executive Vice Chairman of HFP.

The company entered into the Management Services Agreement with Fairfax (the ''Management Services Agreement''), pursuant to which Fairfax will provide certain services to the company and its subsidiaries on a two-year transitional basis (refer to the Related Party Transactions section later in this MD&A).

Upon closing of the Transaction, the company adopted a new special incentive plan, pursuant to which 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'') (see note 15 (General and Administration Expenses) to the consolidated financial statements for the year ended December 31, 2020).

After the closing of the Transaction, HFP is positioned as the leading, Africa-focused listed investment holding company that will offer high-quality investments in African markets, while receiving the benefit of diversified revenue streams through an entitlement to cash flows arising from recurring and predictable fee streams (Net Management Fees and Carried Interest Proceeds) from Helios Funds. Going forward the company will also benefit from a broader team of experienced investment professionals fully focused on Africa, with deep local knowledge, differentiated capabilities and a successful track record across the continent in identifying and securing high-quality, largely proprietary, investment opportunities.

Capital Transactions

On September 7, 2018 the company entered into a $90,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 400 basis points (the ''Credit Facility''). The Credit Facility was secured by way of a general lien on the holding company's assets. The Credit Facility as amended on March 28, 2019 contained a financial covenant that required the company to maintain common shareholders' equity of not less than $500,000.

On December 21, 2018 the company drew $30,000 from the Credit Facility with a 3-month term that was repaid on March 21, 2019 along with accrued interest of $509. On September 7, 2019 the Credit Facility matured.

On December 20, 2019 the company entered into an $80,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 450 basis points (the ''Second Credit Facility'') and contained a financial covenant that required the company to maintain common shareholders' equity of not less than $450,000 when amounts were drawn under the Second Credit Facility. The Second Credit Facility was secured by way of a general lien on the holding company's assets. On December 20, 2020 the Second Credit Facility matured and was not renewed. Refer to note 8 (Borrowings) to the consolidated financial statements for the year ended December 31, 2020 for additional details.

On December 4, 2020, shareholders of HFP approved an amendment to the company's articles to permit, among other things, the issuance of an unlimited number of multiple voting shares to Fairfax, HFP Investment Holdings SARL (''Principal Holdco''), and certain of their respective subsidiaries and affiliates. On December 8, 2020 the company issued 24,632,413 subordinate voting shares and 25,452,865 multiple voting shares at a price of $5.50 per share as part of the Transaction, in exchange for TopCo LP Class A and Class B Limited Partnership Interests with an aggregate fair value of $275,299. The cost of subordinate voting shares and multiple voting shares issued was determined on the basis of the fair value of the TopCo LP Class A and Class B Limited Partnership Interests received. 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.

African Investments

Full descriptions of the African Investments committed to and acquired in 2020 and 2019 are provided in the African Investments section of this MD&A.

Operating Environment

Overview

The year 2020 was marked by the rapid surge of the global COVID-19 pandemic, resulting in worldwide border closures, lockdowns, and restrictions on non-essential services in an effort to contain and mitigate the spread of COVID-19. In its January 2021 report, ''*World Economic Outlook Update – Policy Support and Vaccines Expected to Lift Activity*'' the International monetary Fund (''IMF'') reported a global GDP contraction of 3.5% in 2020, up 0.9% from its projections in October 2020, reflecting stronger-than-expected recovery in the latter half of 2020. The IMF forecasted that global GDP is expected to recover to 5.5% in 2021 and 4.2% in 2022, reflecting expectations that vaccine rollout and additional policy support in key large economies will boost economic activity. Timely manufacturing and distribution of effective vaccines, in conjunction with expanded fiscal policy support, may further lift global activity; new viral surges and lockdowns, delayed vaccine rollout, and withdrawal of policy support may hamper growth expectations.

The company believes that growth in the African economy will be driven primarily by investments in infrastructure, a thriving services sector and agricultural output. HFP is invested broadly in various African economies through its indirect returns from the Helios Funds by way of its TopCo LP Class A and Class B Limited Partnership Interests. HFP's exposure in Sub-Saharan Africa (''SSA''), South Africa, Nigeria and Kenya through its African Investments is discussed below.

Sub-Saharan Africa

In January 2021, the IMF reported SSA regional GDP contraction of 2.6% in 2020, up 0.4% from its projections in October 2020, and forecasted SSA regional GDP growth of 3.2% in 2021 and 3.9% in 2022. These region-wide forecasts mask considerable differences in the growth performance and prospects of countries across the region. SSA entered the COVID-19 crisis with constrained fiscal space, elevated debt levels, reduced external inflows, and muted commodity prices. Though global oil prices are expected to rise in 2021 by 20% from the low in 2020, prices will remain depressed, exacerbating the challenges brought on by COVID-19 for resource-intensive economies such as Nigeria and Angola. The tourism and services industries are expected to recover relatively slowly, hampered by border closures and lockdown measures. Efforts to support and rekindle the economy have resulted in an increased burden on fiscal and monetary policies, and are constrained by a higher financing gap.

South Africa and Nigeria account for approximately half of the SSA region's GDP, the remainder of which is driven primarily by Angola, Kenya, Ethiopia, Ghana, Tanzania, and Côte d'Ivoire. Approximately half of the company's African Investments operate in South Africa, with the remainder primarily in Nigeria and Kenya.

South Africa

HFP is exposed to South Africa through its indirect equity interests in AFGRI Group Holdings (''AGH'') and Grobank Limited (''Grobank''), and direct investments in Philafrica Foods Proprietary Ltd. (''Philafrica''), Consolidated Infrastructure Group Limited (''CIG'') and Nova Pioneer Education Group (''Nova Pioneer'').

South Africa is the SSA region's second largest economy and is driven primarily by agriculture, mining and manufacturing. In January 2021, the IMF reported South Africa's GDP contraction of 7.5% in 2020, and forecasted a recovery to growth of 2.8% in 2021 and 1.4% in 2022. The country's lockdown measures, which commenced on March 26, 2020 and have been gradually eased since May 2020, have weighed heavily on economic activity, intensifying fiscal difficulties and eroding asset quality. South Africa's COVID-19 fiscal stimulus package represents approximately 10% of its GDP and focuses spending on key areas including healthcare, unemployment benefits, tax cuts, and loan deferrals. The modest projected recovery is reflective of structural constraints and weak economic growth, compounded by the global pandemic, resulting in an elevated unemployment rate of 30.8% as well as inequities in income and economic opportunities. Since the beginning of the year, the South African Reserve Bank (''SARB'') has cut the South Africa prime overdraft rate five times by an aggregate 300 bps and the prime overdraft rate currently sits at 7.00%.

Moody's Corporation (''Moody's'') downgraded its credit rating for South Africa to Ba2 with a negative outlook in November 2020; Standard & Poor's Financial Services LLC (''S&P'') downgraded its credit rating to BB – with a stable outlook in April 2020; and Fitch Ratings Inc. (''Fitch'') downgraded its credit rating to BB – with a negative outlook in November 2020. The changes in credit rating were primarily driven by high and rising government debt, depressed economic growth, elevated fiscal demands across multiple sectors as a result of COVID-19, and continuing social obstacles to reforms. In line with deteriorating credit ratings and a weak macroeconomic outlook, the South African rand weakened relative to the U.S. dollar from 13.98 at December 31, 2019 to 14.69 at December 31, 2020.

Nigeria

HFP is exposed to Nigeria through Atlas Mara Limited's (''Atlas Mara'') 49.78% stake in Union Bank of Nigeria (''UBN'').

Nigeria is the SSA region's most populous country and has the largest economy. In January 2021, the IMF reported Nigeria's GDP contraction of 3.2% in 2020, and forecasted a recovery to growth of 1.5% in 2021 and 2.5% in 2022. The low growth forecast is driven by insufficient policy adjustment, high levels of interest payments relative to revenue due to an underdeveloped revenue base, over-reliance on the oil and gas sector, and a fractious political landscape. Though half of Nigeria's economy is accounted for by the services sector, surpassing the country's traditional oil and agriculture GDP drivers, Nigeria remains heavily oil-dependent. Oil represents more than 80% of its exports and 50% of its overall government revenue.

Moody's affirmed its credit rating for Nigeria at B2 with a negative outlook from December 2019; S&P downgraded its credit rating to B – with a stable outlook in March 2020; and Fitch downgraded its credit rating to B with a stable outlook in September 2020. The changes in credit rating were driven by the rapid and significant plunge in oil prices in the earlier half of 2020. While the IMF projects that oil prices are expected to rise in 2021 by 20% from the low in 2020, prices will remain well below the 2019 average. Nigeria's economic strength is supported by its substantial oil and gas endowments, but by the same token is also highly dependent on long-term growth prospects of the oil and gas industry.

Kenya

HFP is exposed to Kenya through its investment in Nova Pioneer and is actively investigating other potential investments in the country.

The Kenyan economy is diverse relative to its SSA peers, though tourism, agriculture, and manufacturing remain important economic drivers. In its October 2020 report, ''*Regional Economic Outlook – Sub-Saharan Africa: A Difficult Road to Recovery*'' the IMF reported a slowdown in Kenya's GDP growth from 5.4% in 2019 to 1.0% in 2020, and forecasted a recovery to 4.7% in 2021. Though Kenya's diverse economy has demonstrated resilience to the COVID-19 pandemic, the tourism industry and other service industries have been severely impacted by the fall in international travel, driven by COVID-19 lockdown measures. Kenya's elevated debt burden has increased rapidly with the adoption of fiscal policies in response to the COVID-19 pandemic, leading to increased liquidity risk.

Moody's affirmed its credit rating for Kenya at B2, with a shift to a negative outlook in May 2020; S&P maintained its credit rating at B+, with a shift to a negative outlook in July 2020; and Fitch kept its credit rating at B+, also with a shift to a negative outlook in June 2020. Changes in credit rating outlooks were based on projected slowdown in Kenya's historically robust economic growth due to the effects of COVID-19, which will weaken revenue collection and fiscal metrics. This, in combination with Kenya's existing debt load, may compound liquidity risks.

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 (''African Investments''). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries, which include a South Africa-based subsidiary HFP South Africa Investments Proprietary Limited (''SA Sub'', formerly known as Fairfax Africa Investments Proprietary Limited) and a Mauritius-based subsidiary HFP Investments Limited (''Mauritius Sub'', formerly known as Fairfax Africa Holdings Investments Limited).

Investment Strategy

The company invests in businesses that are expected to benefit from Africa's demographic trends which are expected to drive growth in the future. Sectors of the African economy that the company believes will benefit most from such trends include the energy, food and agricultural, financial services, infrastructure and logistics, consumer products and retail sectors. The company, however, is not limited to investing solely in these sectors and intends to invest in other sectors as and when opportunities arise.

The company utilizes and expects to benefit significantly from, the experience and expertise of its management, the Manager, and their respective networks in Africa, to source and evaluate investment opportunities for the company.

The company employs a conservative, fundamental value-based approach to identifying and investing in high quality public and private African businesses. This approach is designed to compound book value per share over the long term. The company will seek attractive risk adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital.

The company intends to make African Investments with a view to being a strategic partner to grow the business and optimize investment returns for the shareholders of HFP. The level and nature of this strategic investment will vary by investment. Such a position may include one or more of the following, as deemed appropriate by the company: (i) board appointment or nomination rights; (ii) board observer rights; (iii) input on management selection; (iv) the provision of managerial assistance; and (v) ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that its strategy is being implemented in a manner that is consistent with the investment objectives of the company, and with the company's fundamental values.

The company's involvement with its African Investments may include providing specialized guidance or expertise in limited circumstances or on a temporary basis and does not extend to any involvement in the day-to-day operations of those African Investments. Activities are expected to be ancillary and undertaken to maximize returns from investments. Board representation is sought only to maintain protective rights and to maximize the value of the company's investment for its shareholders.

The company may from time to time seek to realize on any of its African Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the African Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private African Investments (''Private African Investments'' as disclosed in the African Investments section of this MD&A) either through initial public offerings or private sales. For publicly traded African Investments (''Public African Investments'' as disclosed in the African Investments section of this MD&A), exit strategies may include selling the investments through private placements or in public markets.

Investment Selection

To identify potential investments, the company principally relies on the expertise of its management, the Manager, and their respective extensive networks in Africa. The Manager researches and identifies investment opportunities, and provides investment research and analysis, transaction origination, due diligence and similar consulting services with respect to investments of the company and its subsidiaries. As a result of its proximity to the investment opportunities in Africa and its immersion in certain key African marketplaces, the Manager identifies many of the investment opportunities for the company and frequently conducts, together with the company, the initial suitability screen when evaluating potential African Investments. The Manager works closely with the company in respect of the review and evaluation of potential investment opportunities for the company.

The Manager may employ other strategic or other consultants to provide services to it, for the benefit of the company, with respect to evaluating African Investments.

The following is an illustrative list of criteria that the company and the Manager believe to be paramount when identifying and investing in African Investments:

Attractive valuation – The company's conservative fundamental value approach leads it to focus on businesses that have positive, stable cash flows that can be purchased at discounted multiples. While the company does not intend to invest in start-up businesses or businesses that have speculative business plans, it may invest a portion of its capital in early-stage companies where the company views potential for growth and positive and stable cash flows and the opportunity for additional investment in the future.

Experienced and aligned management – The company focuses on businesses with experienced, entrepreneurial management teams with strong, long term track records. The company generally requires the portfolio businesses to have in place, either prior to or immediately following an investment by the company, proper management incentives to drive the businesses' profitability and maintain effective governance structures.

Strong competitive position in industry – The company seeks to invest in businesses that hold leading and defendable market positions, possess strong brand power and are well-positioned to capitalize on the growth opportunities in the African economy. The company also seeks to invest in businesses that demonstrate significant competitive advantages relative to their peers, such that they are in a position to protect their market position and profitability.

Alignment of the management team with the values of the company – The company and the Manager all seek to adhere to the highest standards of business practices and ethics. The company requires that the management teams at each of its portfolio businesses adhere to a similar standard of business practices and ethics and adhere to the company's fundamental values as described above.

The Manager, the company and their respective affiliates conduct thorough due diligence investigations when evaluating any African Investments prior to making a recommendation to the company and its subsidiaries to invest. This generally includes consultations with Fairfax's and the Manager's network of current and former management teams, consultants, competitors, investment bankers and senior executives to assess, among other things, the industry dynamics, the character of the management team and the viability of the business plan.

More specifically, due diligence in respect of a particular investment opportunity typically includes, among other items as deemed necessary from time to time: (i) review of historical and projected financial information; (ii) on-site visits; (iii) interviews with management, employees, customers and vendors; (iv) review of material agreements; (v) background checks; and (vi) research relating to the businesses' management, industry, markets, products and services, and competitors.

Investment Restrictions

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the ''Investment Concentration Restriction''). On April 15, 2020 the company received shareholders' approval of a special resolution allowing the company to make additional investments in Atlas Mara where, after giving effect to such investment, the total invested amount in Atlas Mara (calculated on a fair value basis) would be less than or equal to 40.0% of the company's total assets at the time of such investment. On December 4, 2020 the company received common shareholders' approval of a special resolution allowing the company to invest in TopCo LP Class A and Class B Limited Partnership Interests where, after giving effect to such investment, the total invested amount in TopCo LP (calculated on a fair value basis) would exceed 25.0% of the company's total assets at the time of such investment. The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction increased at December 31, 2020 from December 31, 2019 principally as a result of TopCo LP Class A and Class B Limited Partnership Interests received as non-cash consideration for shares issued in connection with the Transaction, partially offset by net realized losses on investments and net foreign exchange losses as described above, Helios Transaction expenses, and general and administration expenses.

The company intends to make multiple different investments as part of its prudent investment strategy. African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

African Investments

Cautionary Statement Regarding Financial Information of Significant African Investments

HFP has agreed to voluntarily provide within its MD&A, summarized unaudited financial information prepared for all of its African Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* AFGRI Group Holdings Proprietary Limited (''AGH'') prepares its financial statements in accordance with IFRS as issued by the IASB; TopCo LP is required to prepare its financial statements in accordance with U.S. generally accepted accounting principles (''U.S. GAAP'') pursuant to its amended and restated limited partnership agreement (TopCo LP and AGH collectively, ''Significant African Investments''). At March 5, 2021 TopCo LP had not yet completed its audited consolidated financial statements for the year ended December 31, 2020 and no prior period financial statements are available. The company is limited in respect to the amount of independent verification it is able to perform with respect to the financial statements of the Significant African Investments. Such unaudited financial information is the responsibility of the respective 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's investments in TopCo LP and AGH have fiscal years which end on December 31 and March 31 respectively. Summarized financial information of the company's Significant African Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant African Investments' summarized financial information should be read in conjunction with HFP's historical consolidated financial statements including the notes thereto and the related MD&A as well as HFP's other public filings.

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

Summary of African Investments

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

		December 31, 2020				December 31, 2019			
	Date Acquired	Ownership %	Net consideration[1]	Fair value	Net change	Ownership %	Net consideration[1]	Fair value	Net change
Public African Investments:									
Common stocks:									
Atlas Mara[2]	August and December 2017		–	–	–	42.4%	159,335	78,075	(81,260)
CIG[3]	Fourth quarters of 2017 and 2018, January and December 2019, and first and second quarters of 2020	54.4%	54,720	–	(54,720)	49.3%	53,854	19,562	(34,292)
Other[4]	Various	<5%	10,053	14,836	4,783	<5%	2,055	–	(2,055)
			64,773	14,836	(49,937)		215,244	97,637	(117,607)
Private African Investments:									
Limited partnership investments:									
TopCo LP Class A Limited Partnership Interest[5]	December 2020	100.0%	88,465	88,465	–	–%	–	–	–
TopCo LP Class B Limited Partnership Interest[5]	December 2020	100.0%	186,834	186,834	–	–%	–	–	–
			275,299	275,299	–		–	–	–
Loans:									
CIG Loan	June 2018		23,270	19,254	(4,016)		23,270	20,744	(2,526)
PGR2 Loan[3]	June and December 2018		19,969	–	(19,969)		19,969	21,240	1,271
Atlas Mara Facility	Second and third quarters of 2020		39,507	30,346	(9,161)		–	–	–
Philafrica Facility	Second quarter of 2020		5,622	7,164	1,542		–	–	–
			88,368	56,764	(31,604)		43,239	41,984	(1,255)
Bonds:									
Atlas Mara 11.0% Convertible Bonds	December 2018		15,040	2,442	(12,598)		15,040	18,296	3,256
Atlas Mara 7.5% Bonds	November 2018		16,476	19,966	3,490		16,476	18,431	1,955
Nova Pioneer Bonds	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		32,713	36,421	3,708		32,713	42,093	9,380
			64,229	58,829	(5,400)		64,229	78,820	14,591
Common stocks:									
Indirect equity interest in AGH[6]	February 2017, January and November 2018, December 2020	46.8%	97,073	64,210	(32,863)	46.8%	86,941	104,976	18,035
Philafrica	November 2018	26.0%	23,254	9,065	(14,189)	26.0%	23,254	19,271	(3,983)
GroCapital Holdings	Fourth quarter of 2018, April 2019, February and June 2020	48.1%	19,403	1,399	(18,004)	35.0%	14,429	10,328	(4,101)
			139,730	74,674	(65,056)		124,624	134,575	9,951
Derivatives:									
Atlas Mara Warrants[3]	November 2018		2,324	–	(2,324)		2,324	83	(2,241)
Nova Pioneer Warrants[3]	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		1,287	–	(1,287)		1,287	1,458	171
			3,611	–	(3,611)		3,611	1,541	(2,070)
			571,237	465,566	(105,671)		235,703	256,920	21,217
Total African Investments			636,010	480,402	(155,608)		450,947	354,557	(96,390)

(1) Comprised of net cash consideration invested since inception, with the exception of TopCo LP Class A and Class B Limited Partnership Interests, discussed in footnote 5 to this table.

(2) Atlas Mara common shares were sold on December 7, 2020 to Fairfax in connection with the Transaction and are not held at December 31, 2020 (see note 6 (African Investments) to the consolidated financial statements for the year ended December 31, 2020).

(3) At December 31, 2020 the company does not expect to recover any of its initial investment in CIG common shares, the PGR2 Loan, Atlas Mara Warrants, and Nova Pioneer Warrants, and the fair values of these investments are nil.

(4) At December 31, 2019 net cash consideration of $2,055 related to common shares of a public company listed on the Johannesburg Stock Exchange which were de-listed in the first quarter of 2019. These amounts have been excluded in net consideration at December 31, 2020.

(5) On December 8, 2020 HFP acquired all of the issued and outstanding TopCo LP Class A and Class B Limited Partnership Interests from Helios Holdings Limited and Helios Holdings Partners Limited for $88,465 and $186,834 respectively, in exchange for non-cash consideration of 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP, representing 45.9% of the equity and voting interest in HFP.

(6) At December 31, 2020 net consideration includes an additional investment of $10,132 into the company's indirect equity interest in AGH. At December 31, 2020 and December 31, 2019 net consideration includes a return of capital of $7,936 related to Joseph Holdings' December 2019 redemption of 7,936,284 Class A shares (see note 6 (African Investments) to the consolidated financial statements for the year ended December 31, 2020).

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

A summary of changes in the fair value of the company's Public and Private African Investments during 2020 and 2019 were as follows:

	2020							
	Balance as of January 1	Purchases	Sales/ conversions/ repayments	Accretion of discount/ (amortization of premium)[1]	Net realized losses on investments	Net change in unrealized gains (losses) on investments	Net foreign exchange gains (losses) on investments	Balance as of December 31
Public African Investments:								
Common stocks:								
Atlas Mara[2]	78,075	–	(29,142)	–	(141,345)	92,412	–	–
CIG[3]	19,562	866	–	–	(45,953)	29,470	(3,945)	–
Other	–	10,053	–	–	–	2,221	2,562	14,836
Total Public African Investments	97,637	10,919	(29,142)	–	(187,298)	124,103	(1,383)	14,836
Private African Investments:								
Limited partnership investments:								
TopCo LP Class A Limited Partnership Interest[4]	–	88,465	–	–	–	–	–	88,465
TopCo LP Class B Limited Partnership Interest[4]	–	186,834	–	–	–	–	–	186,834
	–	275,299	–	–	–	–	–	275,299
Loans:								
CIG Loan	20,744	–	–	123	–	(585)	(1,028)	19,254
PGR2 Loan[5]	21,240	1,358	–	–	(22,356)	1,433	(1,675)	–
Atlas Mara Facility[6][7]	–	42,095	–	346	–	(12,095)	–	30,346
Philafrica Facility[8]	–	5,950	–	80	–	36	1,098	7,164
	41,984	49,403	–	549	(22,356)	(11,211)	(1,605)	56,764
Bonds:								
Atlas Mara 11.0% Convertible Bonds[9]	18,296	2,044	–	(5)	–	(17,893)	–	2,442
Atlas Mara 7.5% Bonds	18,431	–	–	748	–	787	–	19,966
Nova Pioneer Bonds[10]	42,093	5,107	–	151	–	(10,930)	–	36,421
	78,820	7,151	–	894	–	(28,036)	–	58,829
Common stocks:								
Indirect equity interest in AGH[11]	104,976	10,132	–	–	–	(43,836)	(7,062)	64,210
Philafrica	19,271	–	–	–	–	(9,090)	(1,116)	9,065
GroCapital Holdings	10,328	4,974	–	–	–	(13,761)	(142)	1,399
	134,575	15,106	–	–	–	(66,687)	(8,320)	74,674
Derivatives:								
Atlas Mara Warrants	83	–	–	–	(2,324)	2,241	–	–
Nova Pioneer Warrants	1,458	–	–	–	(1,285)	(173)	–	–
	1,541	–	–	–	(3,609)	2,068	–	–
Total Private African Investments	256,920	346,959	–	1,443	(25,965)	(103,866)	(9,925)	465,566
Total African Investments	354,557	357,878	(29,142)	1,443	(213,263)	20,237	(11,308)	480,402

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

(2) In connection with the Transaction (see note 2 (Helios Transaction) to the consolidated financial statements for the year ended December 31, 2020), the company entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for an aggregate purchase price of $40,000, giving rise to the Atlas Mara Forward Derivative discussed in the Related Party Transactions section later in this MD&A.

(3) During the fourth quarter of 2020, CIG voluntarily entered business rescue and suspended trading of its common shares on the Johannesburg Stock Exchange.

(4) Acquired in 2020 as part of the Transaction, in consideration for multiple voting shares and subordinate voting shares issued to the Helios Holdings Group.

(5) Purchases in 2020 of $1,358 related to capitalized interest.

(6) Purchases in 2020 included $2,588 related to capitalized interest.

(7) In connection with the Transaction (see note 2 (Helios Transaction) to the consolidated financial statements for the year ended December 31, 2020), Fairfax guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee discussed in the Related Party Transactions section later in this MD&A.

(8) Purchases in 2020 included $328 related to capitalized interest.

(9) Purchases in 2020 of $2,044 related to capitalized interest.

(10) Purchases in 2020 of $5,107 related to capitalized interest.

(11) Invested through the company's ownership in and shareholder loan to Joseph Holdings.

	2019							
	Balance as of January 1	**Purchases**	**Sales/ conversions/ repayments**	**Accretion of discount/ (amortization of premium)[1]**	**Net realized loss on investments**	**Net change in unrealized gains (losses) on investments**	**Net foreign exchange gains (losses) on investments**	**Balance as of December 31**
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	–	–	–	–	(41,017)	–	78,075
CIG[2]	3,886	44,974	–	–	–	(29,436)	138	19,562
Other[3]	28	–	–	–	–	(24)	(4)	–
Total Public African Investments	123,006	44,974	–	–	–	(70,477)	134	97,637
Private African Investments:								
Loans:								
AGH Facility	–	12,813	(12,939)	257	–	–	(131)	–
CIG Loan	21,068	–	–	97	–	(996)	575	20,744
PGR2 Loan[4]	17,527	2,943	–	–	–	112	658	21,240
	38,595	15,756	(12,939)	354	–	(884)	1,102	41,984
Bonds:								
Atlas Mara 11.0% Convertible Bonds[5]	16,334	1,845	–	(80)	–	197	–	18,296
Atlas Mara 7.5% Bonds	17,499	–	–	762	–	170	–	18,431
Nova Pioneer Bonds[6]	26,023	12,620	–	103	–	3,347	–	42,093
	59,856	14,465	–	785	–	3,714	–	78,820
Common stocks:								
Indirect equity interest in AGH[7]	111,888	–	(7,936)	–	–	(1,239)	2,263	104,976
Philafrica	23,463	–	–	–	–	(4,841)	649	19,271
GroCapital Holdings	11,927	2,288	–	–	–	(4,285)	398	10,328
	147,278	2,288	(7,936)	–	–	(10,365)	3,310	134,575
Derivatives:								
Atlas Mara Warrants	1,016	–	–	–	–	(933)	–	83
Nova Pioneer Warrants	1,001	506	–	–	–	(49)	–	1,458
	2,017	506	–	–	–	(982)	–	1,541
Derivative obligation:								
CIG forward derivative liability[2]	(5,724)	–	4,839	–	(4,839)	5,724	–	–
Total Private African Investments	242,022	33,015	(16,036)	1,139	(4,839)	(2,793)	4,412	256,920
Total African Investments	365,028	77,989	(16,036)	1,139	(4,839)	(73,270)	4,546	354,557

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

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

(3) Comprised of common shares of a public company listed on the Johannesburg Stock Exchange. During the first quarter of 2019 the common shares of the public company were de-listed.

(4) Purchases in 2019 of $2,943 related to capitalized interest.

(5) Purchases in 2019 of $1,845 related to capitalized interest.

(6) Purchases in 2019 included $3,899 related to capitalized interest.

(7) Invested through the company's ownership in Joseph Holdings.

Public African Investments

The fair values of HFP's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of CIG common shares, for which trading was voluntarily suspended effective November 25, 2020.

Investment in Atlas Mara Limited (Common Shares)

Business Overview

Atlas Mara Limited (''Atlas Mara'') is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

The company's investment in Atlas Mara is comprised of debt instruments and warrants. The company sold its Atlas Mara common shares to Fairfax on December 7, 2020 prior to closing of the Transaction (described below). The debt instruments and warrants are discussed in the Private African Investments section under the heading Investment in Atlas Mara Limited (Debt Instruments and Warrants) later in this MD&A.

The company entered into related party transactions with Atlas Mara, comprised of the Atlas Mara Zambia Term Deposit and a financial guarantee, which are discussed later in the Related Party Transactions section later in this MD&A.

In connection with the Transaction, the company entered into related party transactions with Fairfax with respect to the company's investments in Atlas Mara common shares and the Atlas Mara Facility, which are discussed in the Related Party Transactions section later in this MD&A.

Additional information can be accessed from Atlas Mara's website www.atlasmara.com.

Transaction Description

Atlas Mara Common Shares

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

In connection with the Transaction (see note 2 (Helios Transaction) to the consolidated financial statements for the year ended December 31, 2020), the company entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for proceeds of $40,000, which gave rise to the Atlas Mara Forward Derivative discussed in the Related Party Transactions section later in this MD&A. On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000.

Valuation and Consolidated Financial Statement Impact

Atlas Mara Common Shares

On the sale of Atlas Mara common shares the company recorded a net loss on investments of $48,933 which was comprised of: (i) an inception to date realized loss of $141,345 recorded in net realized losses on investments; and (ii) a reversal of prior period unrealized losses of $92,412 recorded in net change in unrealized gains on investments. Net proceeds were comprised of $20,000 in cash and $20,000 in the interest-free Fairfax Loan due from Fairfax no later than three years from closing of the Transaction. The Fairfax Loan is recorded in loans within the consolidated balance sheet (see Related Party Transactions section later in this MD&A).

At December 31, 2019 the fair value of the company's investment in Atlas Mara common shares was $78,075, comprised of 71,958,670 common shares representing a 42.4% equity interest. The changes in fair value of the company's investment in Atlas Mara in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Investment in Consolidated Infrastructure Group Limited (Common Shares)

Business Overview

Consolidated Infrastructure Group Limited (''CIG'') is a Pan-African engineering infrastructure company previously listed on the Johannesburg Stock Exchange under the stock symbol CIL. CIG has a diversified portfolio of operations including services and materials in power and electrical, waste management of oil and gas, building materials and the railway sector,

with a footprint that spans over 20 African countries and the Middle East. Key markets for CIG outside South Africa include Angola, Kenya, Nigeria and Uganda.

Additional information can be accessed from CIG's website www.ciglimited.co.za.

Transaction Description

CIG Common Shares

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

On January 4, 2019 upon closing of the previously announced CIG Rights Offer the company acquired 178,995,353 common shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696.0 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Investment in Consolidated Infrastructure Group Limited (Debt Instrument and Derivative Obligation) later in this MD&A) of $4,839 (67.7 million South African rand).

In December 2019 the company acquired an additional 867,841 common shares of CIG for net consideration of $69 (1.0 million South African rand). In 2020 the company acquired an additional 20,126,948 common shares of CIG for net consideration of $866 (14.9 million South African rand). At December 31, 2020 the company held 215,517,270 common shares of CIG, representing a 54.4% equity interest in CIG for net consideration of $49,881 (700.6 million South African rand).

On October 23, 2020 the company terminated the appointment of its nominee directors from the board of directors of CIG. At December 31, 2020 the company did not have any board representation in CIG. The management team and the board of directors of CIG have worked through the right-sizing and stabilization of Conco, however the impact of COVID-19 necessitated another reassessment of the Group's cash forecasts and as announced on August 14, 2020, CIG appointed Metis Strategic Advisors to assist it in completing a debt restructuring. On November 9, 2020 CIG commenced voluntary business rescue proceedings. As a result of its voluntary business rescue, on November 25, 2020 CIG announced that it had applied to the Johannesburg Stock Exchange to voluntarily suspend trading in CIG common shares. The company does not expect to recover any of its initial investment in CIG common shares.

Valuation and Consolidated Financial Statement Impact

CIG Common Shares

At December 31, 2020 the fair value of the company's investment in CIG common shares was nil and in 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $20,428 relating to the CIG common shares, which was comprised of: (i) an inception to date realized loss of $45,953 recorded in net realized losses on investments; (ii) a reversal of prior period unrealized losses of $29,470 recorded in net change in unrealized gains on investments; and (iii) net foreign exchange losses of $3,945.

At December 31, 2019 the fair value of the company's investment in CIG common shares was $19,562, comprised of 195,390,322 common shares representing a 49.3% equity interest. CIG's share price was 1.40 South African rand per share at December 31, 2019.

The changes in fair value of the company's investment in CIG common shares in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Investment in Other Public African Investments

In April 2020 the company acquired less than 5.0% of the common shares of public companies in various sectors, listed on the Johannesburg Stock Exchange (investment in ''Other Public African Investments''), for aggregate cash consideration of $10,053 (185.3 million South African rand).

At December 31, 2020 the fair value of the company's investment in the Other Public African Investments was $14,836. The changes in fair value of the company's investment in the Other Public African Investments in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

At December 31, 2020 the company did not have any board representation in Other Public African Investments.

Private African Investments

Cautionary Statement Regarding the Valuation of Private African Investments

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

While the company's valuation techniques for Private African Investments remained unchanged (with the exception of the company's investments in the Atlas Mara Facility and Bonds, the Philafrica Facility, and GroCapital Holdings) during the year ended December 31, 2020, the development of unobservable inputs included added uncertainty related to the economic disruption caused by the ongoing COVID-19 pandemic. The uncertainty in those assumptions has been incorporated into the company's valuations of Private African Investments primarily through wider credit spreads and higher risk premiums, as applicable.

Investment in TopCo LP

Business Overview

TopCo LP is a limited partnership established under the laws of Guernsey and is controlled by its general partner, HFA GP (Guernsey) Limited, an affiliate of the Helios Holdings Group. TopCo LP was formed as the investment vehicle through which HFP will receive cash flows from its entitlement to certain Helios fee streams. TopCo LP is the portfolio advisor of the company and its consolidated subsidiaries and has entered into a sub-advisory agreement with the Manager to provide the investment and advisory services to HFP. TopCo LP will earn investment advisory fees from HFP. Further details on the company's transactions with TopCo LP are discussed in the Related Party Transactions section later in this MD&A.

Immediately prior to the closing of the Transaction, TopCo LP was admitted as a limited partner of the Carried Interest Recipients, defined below, entitling it to its share of the carried interest earned on Helios Funds by way of distributions arising from the Carried Interest Recipients. TopCo LP also entered into contractual arrangements with certain affiliates of the Helios Holdings Group, entitling it to the management fees earned on the Helios Funds.

Transaction Description

On December 8, 2020, pursuant to the terms of the purchase and sale agreement entered into on July 10, 2020, HFP acquired all of the issued and outstanding TopCo LP Class A and Class B Limited Partnership Interests from HHL and Helios Holdings Partners Limited (''HHPL'') for $88,465 and $186,834 respectively, in exchange for 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP issued to HHL and HHPL, representing 45.9% of the equity and voting interest in HFP. Immediately following the closing of the Transaction, each of HHL and HHPL transferred the HFP shares to Principal Holdco, a Luxembourg holding company, indirectly owned by Tope Lawani and Babatunde Soyoye. HFP may not transfer or otherwise dispose of its TopCo LP Class A and Class B Limited Partnership Interests without consent from the general partner of TopCo LP. TopCo LP reports its financial performance in U.S. dollars.

TopCo LP Class A Limited Partnership Interest

TopCo LP is a limited partner of Helios Investors Genpar, L.P., HIP Equity II, L.P., HIP Equity III, L.P. and HIP Equity IV, L.P. (collectively, the ''Carried Interest Recipients'') and as such is entitled to receive Carried Interest Proceeds. Carried Interest Proceeds include 25% of carried interest amounts generated by any existing fund managed by Helios or any of its affiliates, excluding Helios Investors IV, L.P.; and 50% of carried interest amounts generated by any future fund managed by Helios or any of its affiliates, including Helios Investors IV, L.P. HFP's TopCo LP Class A Limited Partnership Interest entitles HFP to receive the Carried Interest Proceeds received by TopCo LP 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 HFP has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts required by each Helios Fund in accordance with their respective governing documents.

TopCo LP Class B Limited Partnership Interest

TopCo LP 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 earn the management fees (''Net Management Fees''). HFP's ownership of TopCo LP Class B Interests entitles HFP to receive Net Management Fees after a six-month holding period by TopCo LP.

Key Business Drivers, Events, and Risks

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

Valuation and Consolidated Financial Statement Impact

TopCo LP Class A Limited Partnership Interest

At December 8, 2020 the company estimated the fair value of its TopCo LP Class A Limited Partnership Interest using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed discount rates ranging from 21.0% to 27.0%, target exit multiples of invested capital averaging 2.1x to 2.6x across the existing Helios Funds, and forecasted exit dates ranging from 2021 to 2024 for Helios Investors II, L.P. and Helios Investors III, L.P., and from 2022 to 2027 for Helios Investors IV, L.P. At December 8, 2020 free cash flow forecasts were based on estimates of Carried Interest Proceeds derived for each fund in accordance with waterfall provisions, prepared in the fourth quarter of 2020 by Helios' management.

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

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are the exit assumptions on Helios Funds' underlying portfolio investments, including the planned exit strategy, target exit multiples of invested capital and timing of exit. The target exit multiple of invested capital for an underlying portfolio investment is equal to the fund's expected total proceeds divided by the expected total cost from initial investment to exit. Carried Interest Proceeds which may arise in future Helios Funds have been excluded from free cash flow estimates. Free cash flow estimates are evaluated net of income taxes based on HFP's Canadian marginal tax rate for capital gains. 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 Helios Funds and their underlying investments at December 31, 2020 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 December 8, 2020:

			Method of valuing underlying portfolio investments		Model inputs:			
Helios Private Equity Fund	**Vintage Year**	**Committed Capital**	**Traded share price**	**Internal valuation model**	**Target exit year**	**Average target exit multiple of invested capital**	**HFP's share of carried interest**	**Fair value of carried interest to HFP**
Helios Investors, L.P. ("Helios Fund I")[1]	2006	304,400	–%	100.0%	2021	2.1x	25%	5,812
Helios Investors II, L.P. ("Helios Fund II")[2]	2009	908,500	54.0%	46.0%	2021-2023	2.6x	25%	34,078
Helios Investors III, L.P. ("Helios Fund III")[3]	2014	1,117,000	16.1%	83.9%	2021-2024	2.6x	25%	48,119
Helios Investors IV, L.P. ("Helios Fund IV")[4]	2020	237,560	–%	100.0%	2022-2027	2.6x	50%	456
								88,465

(1) *Helios Fund I is a private equity fund domiciled in the Cayman Islands that was formed in 2006 with the purpose of investing in companies that operate primarily in Sub-Saharan Africa. At December 31, 2020 Helios Fund I was invested in a private company operating in the telecommunication sector, which is expected to be fully exited in 2021 at which time Helios Fund I will close. In the third quarter of 2020, Helios Fund I distributed shares of a public company operating in the fuel distribution sector across Africa to its limited partners and carried interest holders as a distribution in specie. The company is entitled to receive these shares, the value of which is the primary driver of the fair value of the carried interest component of Helios Fund I, in addition to cash distributions of Carried Interest Proceeds from Helios Fund I.*

(2) *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 December 31, 2020 the underlying portfolio investments in Helios Fund II were primarily comprised of investments in: (i) a public company operating in the fuel distribution sector across Africa (28.9% of portfolio); (ii) a private company offering electronic payment processing services in Nigeria (24.2% of portfolio); (iii) a public company operating in the telecommunication infrastructure sector across Africa (23.6% of portfolio); and (iv) a private company operating in the financial services sector across Africa (9.2% of portfolio).*

(3) *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 December 31, 2020 the underlying portfolio investments in Helios Fund III were primarily comprised of investments in: (i) a private company operating in the gas distribution sector in Nigeria (17.0% of portfolio); (ii) a public company providing electronic payment processing services in Egypt (14.0% of portfolio); (iii) a private company operating in the consumer goods sector across Africa (12.4% of portfolio); (iv) a private company operating in the financial services sector across Africa (11.4% of portfolio); (v) a private company that operates a liquified natural gas terminal in Ghana (8.2% of portfolio); (vi) a private company that imports and distributes agricultural inputs across Africa (6.6% of portfolio); (vii) a private company that provides electronic payment processing services in Egypt (4.8% of portfolio); and (viii) a private company operating in the agricultural sector in Egypt (4.4% of portfolio).*

(4) *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. In 2020 Helios Fund IV completed its first capital raise and made investments in: (i) a private company that provides electronic payment processing services globally (including Africa); and (ii) a private insurance company established in 2020 and expected to operate across Africa.*

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which the Helios private equity funds operate. These risk premiums were reflective of the increased uncertainty of the free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic.

At December 8, 2020 the company's internal valuation model indicated that the fair value of its TopCo LP Class A Limited Partnership Interest was $88,465. At December 31, 2020 the initial transaction price of the company's investment in the TopCo LP Class A Limited Partnership Interest was considered to approximate fair value as there were no significant changes to TopCo LP's business, capital structure or operating environment and the key assumptions in the company's acquisition valuation model continued to be valid. At December 31, 2020 the fair value of the company's investment in TopCo LP Class A Limited Partnership Interest was $88,465.

TopCo LP Class B Limited Partnership Interest

At December 8, 2020 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 free cash flow forecasts with an assumed discount rate of 19.3%, a long

term growth rate of 4.5% and a long term pre-tax profit margin of 52.3%. At December 8, 2020 free cash flow forecasts were based on Net Management Fee forecasts prepared in the fourth quarter of 2020 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, infrastructure, and real estate funds, and the expected use of operating leverage to grow profit margins. Based on committed capital of the Helios Funds currently in place of approximately $2.3 billion (excluding Helios Fund I which is in the process of closing), the forecasted growth in assets under management implies a compound annual growth rate in committed capital of 18.7% over the eight year forecasting period. In the event that TopCo LP does not achieve its forecasted growth in assets under management in future periods, this may result in a negative impact on the fair value of the company's TopCo LP Class B Limited Partnership Interest. Free cash flow estimates were evaluated net of income taxes based on HFP's Canadian marginal tax rate.

Current Model Assumptions

As a result of the continued business disruptions caused by the COVID-19 pandemic, free cash flow forecasts reflected increased market volatility and government-mandated travel restrictions in the short term primarily through an expected delay in fundraising activities. The development of these free cash flow forecasts was subject to a higher degree of estimation uncertainty that was primarily driven by a forecasting period of eight years, the impacts of government-mandated travel restrictions on current fundraising activities, and forecasted growth in assets under management due to the expected demand for future Africa-focused alternative asset funds. A forecasting period of eight years was used due to the inherent long-term nature of Africa-focused private equity, infrastructure and real estate funds, which require additional time to fundraise, deploy capital and prepare investments for exit. These factors contributed to a higher degree of estimation uncertainty in the free cash flow estimates which was primarily reflected through higher discount rates and in the estimation of the long term pre-tax profit margin expected to be achieved at the end of the forecasting period.

The discount rate was based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which the Helios Funds operate. These risk premiums were reflective of the increased uncertainty of free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic. Long term pre-tax profit margins were estimated based on comparable pre-tax management fee-related earnings margins of 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 in which TopCo LP conducts asset management activities.

At December 8, 2020 the company's internal valuation model indicated that the fair value of its TopCo LP Class B Limited Partnership Interest was $186,834. At December 31, 2020 the initial transaction price of the company's investment in the TopCo LP Class B Limited Partnership Interest was considered to approximate fair value as there were no significant changes to TopCo LP's business, capital structure or operating environment and the key assumptions in the company's acquisition valuation model continued to be valid. At December 31, 2020 the fair value of the company's investment in TopCo LP Class B Limited Partnership Interest was $186,834.

The changes in fair value of the company's investment in TopCo LP Class A and Class B Limited Partnership Interests in 2020 are presented in the table disclosed at the outset of the African Investments section of this MD&A.

TopCo LP's Carried Interest Position (unaudited)

At December 31, 2020, had the underlying portfolio investments, other assets and liabilities of the Helios Funds been liquidated and settled at their carrying amounts, and had the residual proceeds thereof been distributed to their respective limited and general partners in accordance with the distribution waterfall provisions on that date, the amount to be received by TopCo LP through its interests in the Carried Interest Recipients would have been $56.8 million, based on the unaudited consolidated financial statements of the existing Helios Funds.

TopCo LP's Summarized Financial Information

TopCo LP's fiscal year ends on December 31. At March 5, 2021 TopCo LP had not yet completed its audited consolidated financial statements for the year ended December 31, 2020.

Investment in AFGRI Holdings Proprietary Limited

Business Overview

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

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

AGH's principal lines of business are comprised of:

AFGRI

AGH holds a 73.2% equity interest in AFGRI Agri Services Proprietary Limited, (''AFGRI''), which focuses on grain management, silo management, equipment sales (through the John Deere brand), agricultural finance and insurance, and retail and farmer development. AFGRI is the market leader for grain management solutions in South Africa, with 64 silos and 13 bunkers under management representing more than 5 million tonnes of storage capacity. AFGRI manages one of South Africa's largest loan books to the agricultural sector on behalf of the Land Bank (a South African government-owned development bank) under a service level agreement terminated on November 30, 2020. AFGRI currently operates under a transitional agreement with the Land Bank to manage the loan book until June 2021, while seeking alternative service level agreements and/or funding structures. AFGRI maintains approximately $858 million (12.6 billion South African rand) in loan book value. AFGRI also manages the group's agri-related businesses outside South Africa through AFGRI International (see below), consisting mainly of equipment operations and grain management operations in Zambia, Zimbabwe, Tanzania, Mozambique, Congo-Brazzaville, and Australia.

Philafrica Foods

AGH holds a 60.0% equity interest in Philafrica. Philafrica is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, and soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries).

GroCapital Advisory Services

GroCapital Advisory Services Proprietary Limited (''GroCapital Advisory''), a wholly-owned subsidiary, provides collateral management solutions via its subsidiary Collateral Management International Proprietary Limited, such as monitoring status, quality and quantity of collateral to various parties, in 13 African countries on behalf of banks, insurers and customers. GroCapital Advisory holds a number of key investments in the financial services and logistics sectors. Investments in financial services and logistics comprise more than 75% of GroCapital Advisory's business. GroCapital Advisory's investments in financial services, which manages the Land Bank's corporate debtors' books, and offers foreign exchange and commodity broking services to clients, were unable to extend its service level agreement with the Land Bank and a decision was taken to restructure the unit effective December 31, 2020 retaining only the broking services. GroCapital Advisory's investments in logistics include the group's collateral management business as well as an interest in a diesel venture.

AFGRI International

AFGRI International Proprietary Limited (''AFGRI International''), a wholly-owned subsidiary, focuses on operations outside of South Africa.

Additional information can be accessed from AGH's website www.agh.co.za.

Transaction Description

Indirect Equity Interest in AGH

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

On December 13, 2019 Joseph Holdings redeemed and canceled 10,769,231 of its Class A shares on a pro rata basis at a price of $1.30 per share. The company received $10,317 on the redemption of 7,936,284 of its Class A shares of Joseph Holdings and as a result has recorded a return of capital of $7,936 with the remaining $2,381 received as a dividend. The redemption principally reflected a distribution from AGH of the proceeds received on the contribution of its grain storage assets to a strategic infrastructure platform during the first quarter of 2019.

In December 2020 Joseph Holdings received $13,749 by way of shareholder loans from its Class A shareholders for which HFP funded its share on December 10, 2020 through a $10,132 shareholder loan to Joseph Holdings. Joseph Holdings used proceeds to subscribe for Class A shares of AFGRI Holdings with a cost of 202.1 million South African rand ($13,568 at transaction date exchange rates) to provide immediate liquidity support and to facilitate the execution of a standstill agreement between AGH and its lenders, described further below.

On December 15, 2020 AFGRI Holdings and AGH entered into a standstill agreement with certain lenders (the ''AGH standstill agreement'') as a result of liquidity pressures arising from the trade volatility caused by COVID-19 pandemic. The execution of the AGH standstill agreement, which was extended in January 2021 to March 31, 2021, was a key component of AGH's preliminary plan to restructure its debt for the benefit of all stakeholders.

At December 31, 2020 the company had invested $98,876 in Joseph Holdings (comprised of 74.6% in common shares and 73.7% in Class A shares of Joseph Holdings, providing a 74.6% voting interest; and $10,132 as a shareholder loan). HFP is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 46.8% indirect equity interest (December 31, 2019 – 46.8%).

At December 31, 2020 the company had appointed four of the eight AGH board members and two of the three Joseph Holdings board members.

AGH Facility

On January 21, 2019 the company completed a secured lending arrangement with AGH pursuant to which the company provided $12,813 (176.4 million South African rand) of financing (the ''AGH Facility''). The AGH Facility earned interest at a rate of South African prime plus 2.0%. On July 19, 2019 the AGH Facility was fully repaid with cash of $12,939 (180.0 million South African rand, inclusive of raising fees) and $485 (6.7 million South African rand) of accrued interest for total cash consideration of $13,424 (186.7 million South African rand).

Key Business Drivers, Events, and Risks

AGH is headquartered in South Africa. Refer to the Business Developments section under the heading Operating Environment of this MD&A for a description of the macroeconomic conditions in South Africa.

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

On April 8, 2019 AGH announced plans to form a grain storage platform to grow capacity in South Africa and improve food security. AFGRI Grain Silo Company Proprietary Limited (''AFGRI Grain Silo Company'') plans to expand its current storage from 4.7 million tonnes to 6.0 million tonnes in the near future. The current storage footprint consists of grain silos and bunker complexes throughout six provinces in South Africa. Four institutional investors have committed to invest alongside AGH and its current Black Economic Empowerment (''BEE'') employee partner, Izitsalo Employee Investments. This investment consortium owns storage facilities acquired from AFGRI, which owns AGH's grain management division. At December 31, 2020 AGH's remaining equity interest in AFGRI Grain Silo Company was 11.0%. AFGRI continues to manage the storage facilities on behalf of AFGRI Grain Silo Company through a management service agreement.

AGH's strategic focus for 2021 is to (i) focus on its core business to ensure efficiencies; (ii) expand its grain storage footprint through AFGRI Grain Silo Company and diversify storage services into a broader commodity pool; (iii) continue to streamline agricultural operations to ensure more efficient capital deployment in South Africa; and (iv) restructure its debt.

During 2020 AGH's businesses were classified as essential services and continued to operate through the lockdowns and travel restrictions imposed by governments across Africa in response to the COVID-19 pandemic, although AFGRI's retail sales of non-agricultural products were temporarily restricted in the first quarter of 2020. In the second quarter of 2020 lockdowns were gradually eased and AFGRI resumed retail and wholesale sales of all inventory.

Valuation and Consolidated Financial Statement Impact

Indirect Equity Interest in AGH

At December 31, 2020 the company estimated the fair value of its indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 9.3% to 21.2% and a long term growth rate of 2.5% (December 31, 2019 – 11.1% to 26.9% and 2.5%). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for AGH's business units prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by AGH's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is EBITDA growth across AGH's major lines of business: the equipment, grain management, agribusiness finance, and food businesses in Philafrica, partially offset by corporate overhead costs.

Current Model Assumptions

As a result of the business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised downward by AGH's management in the fourth quarter of 2020 to primarily reflect: (i) an increase in working capital outflows in the near term due to continued liquidity pressures; (ii) an increase in corporate overhead costs related to expected legal and advisory fees in connection with the debt restructuring; (iii) the cancellation of AGH's loan book management arrangement with the Land and Agricultural Development Bank of South Africa in November 2020; (iv) an operational fire and the resulting termination of a significant customer contract at Philafrica's soybean processing business in November 2020; and (v) the discontinuation of Philafrica's greenfield businesses during 2020; partially offset by (vi) continued operations during the COVID-19 pandemic; (vii) the equity infusion from Joseph Holdings; and (viii) the execution of the AGH standstill agreement and continued progress in AGH's debt restructuring plan.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates. These risk premiums were reflective of the increased uncertainty of the revised free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic, as well as the increased credit risk associated with AGH's plans to restructure its debt. Long term growth rates were based on the expected long term sustainable growth rate of the economic environments and sectors in which AGH operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of its 46.8% indirect equity interest in AGH was $64,210 (December 31, 2019 – $104,976), comprised of Class A shares, common shares, and a shareholder loan to Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

AGH Facility

In 2019 the company recorded interest income of $1,013 within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the AGH Facility.

AGH's Summarized Financial Information

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

The company's fiscal year ends on December 31 and AGH's fiscal year ends on March 31. Summarized below are AGH's balance sheets at September 30, 2020 and March 31, 2020.

Balance Sheets

(unaudited – in South African rand thousands and US$ thousands)

	South African rand		US$	
	September 30, 2020	March 31, 2020	September 30, 2020(1)	March 31, 2020(1)
Current assets	7,616,384	7,130,924	456,618	399,268
Non-current assets	4,042,270	4,414,975	242,342	247,199
Current liabilities	7,975,066	7,692,856	478,121	430,731
Non-current liabilities	1,625,004	1,554,899	97,422	87,060
Shareholders' equity	2,058,584	2,298,144	123,417	128,676

(1) The net assets of AGH were translated at September 30, 2020 at $1 U.S. dollar = 16.68 South African rand and at March 31, 2020 at $1 U.S. dollar = 17.86 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting an increase in trade and other receivables driven by increased equipment sales, partially offset by a decrease in inventories and a decrease in derivative financial instruments driven by the normalization of elevated pre-season contracts and delayed harvests, which impacted the magnitude and timing of foreign exchange movements. Non-current assets decreased primarily due to depreciation and amortization, further dilution in AGH's share in its associate, AFGRI Grain Silo Company, on April 8, 2020, and disposition of Philafrica's interests in its poultry and mussels greenfield businesses. Current liabilities increased primarily related to increases in trade and other payables, partially offset by a decrease in derivative financial instruments. The increase in trade and other payables was primarily driven by fluctuations in timing of repayments from farmers on seasonal facilities and the submission thereof to the Land Bank. Non-current liabilities increased primarily in Australia to fund working capital for AFGRI International. Shareholders' equity decreased primarily due to net loss recognized during the period.

Summarized below are AGH's statements of earnings for the six months ended September 30, 2020 and 2019.

Statements of Earnings

(unaudited – in South African rand thousands and US$ thousands)

	South African rand		US$	
	Six months ended September 30, 2020	Six months ended September 30, 2019	Six months ended September 30, 2020(1)	Six months ended September 30, 2019(1)
Revenue from continuing operations	7,820,314	7,305,588	449,702	503,486
Loss before taxes	(96,153)	(48,869)	(5,529)	(3,368)
Net loss	(135,777)	(161,305)	(7,808)	(11,117)

(1) Amounts for the six months ended September 30, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 17.39 South African rand and $1 U.S. dollar = 14.51 South African rand prevailing during those periods.

Revenues increased primarily due to an increase in equipment sales in both South Africa and Australia following a strong harvest year, providing capital to farmers and stimulating the replacement of capital equipment. Philafrica's Sunshine Bakery increased its market share through new distribution channels due to gaps in the competitive space due to the lockdown in South Africa, and Animal Feeds brought elevated sales volumes. These were partially offset by lower grain management volumes at AFGRI International given the exit strategy for the business. Loss before taxes increased primarily due to reduced volume in the loan book management business due to liquidity issues at the Land Bank, continued margin pressures in Philafrica's Nedan business, losses and write-downs on Philafrica's greenfield businesses, and increased losses on AGH's equity-accounted investment in Grobank as the recently-acquired bank continues its strategic repositioning. Net losses decreased from the same period in the prior year due to decreased tax provisions, partially offset by increased loss before taxes.

Investment in Philafrica Foods Proprietary Ltd.

Business Overview

Philafrica is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, and soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries). Philafrica has 15 production plants across the South African provinces of Gauteng, KwaZulu-Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo.

Philafrica's vision is to support the lives of millions of Africans through food processing in Africa. Currently, most African countries are net importers of processed food products. Philafrica's management believes that the most effective way to transform African agriculture is to create market pull through large-scale food processing, which requires vertical integration throughout the entire food value chain straight back to the farms and ensures consistent quality supply of raw materials into the company's food production sites.

Philafrica's principal lines of business are comprised of:

Grain Milling

Philafrica's Grain Milling business, through its AFGRI Milling division, is involved in the industrial milling of yellow corn (maize) and wheat flour. AFGRI Milling operates three maize mills in Mpumalanga (Bethal, Kinross and Ermelo) and one wheat mill in Harrismith in the Free State. These mills have achieved FSSC 22000 Food Safety System Certification, the worldwide preferred and accepted Food Safety Standard, and they are also certified Halaal and Kosher producers.

Corn, or maize as it is known in South Africa, is the largest produced field crop and is planted throughout the country under diverse environments. South Africa is the main maize producer on the African continent. Approximately 14 million tonnes of maize is produced annually on 2.5 million hectares of land, of which 7.7 million tonnes and 6.2 million tonnes are white and yellow maize respectively. In developed countries, yellow maize is consumed mainly as a second-cycle produce, in the form of meat, eggs and dairy products. In Africa, white maize is consumed directly and serves as staple diet for some 200 million people. In South Africa yellow maize is used predominantly for animal feed as well as for cereals and snack products.

To ensure consistent high product quality, AFGRI Milling has implemented a stringent Identity Preservation Program in collaboration with AFGRI Grain Management Proprietary Ltd., a wholly-owned subsidiary of AGH, in order to segregate, handle and store the different classes and grades of maize and wheat which is required to mill to customer specifications.

Oil and Protein

Philafrica's Oil and Protein business, through its Nedan Foods (''Nedan'') division, processes oil and other raw materials into edible oils and high-protein textured vegetable products for the food processing and fast food industries. As a bulk oil supplier to the industrial food market and related industries in South Africa, Nedan is also the market leader in texturized soya protein for human consumption and supplies high quality oil cake for the animal feed industry. Nedan operates soya crushing and extraction plants with a refinery in Mokopane (Limpopo province) with a plant capacity of 255,000 tonnes of soya beans per annum, and holds the FSSC 22000 Food Safety System Certification and is also a Halaal and Kosher certified producer.

Animal Feeds

Philafrica's animal feeds business, through AFGRI Animal Feeds, plays a vital role in the food value chain converting raw materials into balanced feed for animal production to feed South Africa. With seven factories across the country and approximately 1 million metric tonnes of annual capacity, AFGRI Animal Feeds is the largest independent feed company, producing a comprehensive range of rations for poultry, dairy, beef, sheep, game and pet food (under the dog food brand name *Jock*). It also operates an upstream integration business focused on supply of raw materials, such as poultry-rendered products and by-pass products, to the animal feed industry in South Africa.

Snack Manufacturing

Philafrica's Snack Manufacturing business, through its 60% stake in Pakworks, a snack manufacturing company, produces dry snacks exclusively for PepsiCo in SSA under the popular *Nik Naks* and *Simba* brand names. Pakworks operates a production facility based in Heilbron in the Free State of South Africa with three main manufacturing platforms: (i) processing, frying and packaging of peanuts; (ii) two hard-extruding lines producing *Nik Naks*; and (iii) a full pellet frying line with the flexibility to process maize as well as potato-based pellets.

Bread Production

Philafrica's Bread Production business, through its 68% stake in Sunshine Bakery, manufactures and distributes Vitamin D enriched bread under the Sunshine brand. Sunshine Bakery operates two production facilities in Pietermaritzburg and Durban, KwaZulu-Natal employing state-of-the-art bakery equipment manned by a highly trained team and selling through its own direct sales distribution network. Sunshine Bakery's products include white bread, brown bread, whole wheat bread,

and low glycemic seeded bread, sold via various sales channels. The brand has grown into a leading household name in the KwaZulu-Natal province.

Additional information can be accessed from Philafrica's website www.philafricafoods.com.

Transaction Description

Philafrica Common Shares

In November 2018 the company converted $23,254 (325.0 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 common shares of Philafrica with the remainder of the facility fully paid with cash. Upon closing of this transaction the company held a 26.0% equity interest in Philafrica, a third party investor held a 14.0% equity interest and AGH's equity interest decreased from 100.0% to 60.0%. AGH continues to control Philafrica.

At December 31, 2020 the company had appointed two of the seven Philafrica board members.

Philafrica Facility

On May 27, 2020 the company entered into a secured lending arrangement with Philafrica pursuant to which the company agreed to provide up to $8,594 (150.0 million South African rand) of financing (the ''Philafrica Facility'') during a commitment period which ended on June 17, 2020. The Philafrica Facility matures on March 31, 2021 with the option of Philafrica to repay at any time prior to maturity and bears interest at a rate of South African prime plus 2.0% per annum, which is accrued and capitalized monthly. The Philafrica Facility is secured by a general guarantee from AGH and AGH's pledge of equity interests in Philafrica. In the second quarter of 2020 the company advanced $5,622 (98.0 million South African rand), net of a 2.0% raising fee, under the Philafrica Facility.

Key Business Drivers, Events, and Risks

Philafrica is headquartered in South Africa. Refer to the Business Developments section under the heading Operating Environment of this MD&A for a description of the macroeconomic conditions in South Africa.

Philafrica's key business drivers relate to its ability to grow and vertically integrate its share in the food value chain across the African continent. Philafrica's April 2019 acquisition of Sunshine Bakery, a branded regional manufacturer and distributor of Vitamin D enriched bread under the Sunshine Brand with the potential to expand nationally, forms part of its strategic drive to participate meaningfully with branded offerings in the fast moving consumer goods market. In July 2020 Philafrica exited the poultry business through the divestiture of its investment in Novos Horizontes and in September 2020 Philafrica exited the mussels business through the divestiture of its investment in Southern Atlantic. Philafrica intends to exit its cassava processing business by the end of the first quarter of 2021.

In 2021, Philafrica will continue to focus on (i) developing and expanding existing business units by implementing operational improvements and maintaining disciplined procurement practices; (ii) continued drive for organic growth across all South African businesses; (iii) expanding its footprint in South Africa's pet food market; and (iv) exiting non-performing businesses.

In 2020 Philafrica's businesses, all of which operate in the food and agribusiness industries, were classified as essential services and continued to operate through the lockdowns and travel restrictions imposed by governments across Africa in response to the COVID-19 pandemic.

Valuation and Consolidated Financial Statement Impact

Philafrica Common Shares

At December 31, 2020 the company estimated the fair value of its investment in Philafrica common shares using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.6% to 15.6% and a long term growth rate of 2.5% (December 31, 2019 – 11.8% to 23.0% and 2.5%). At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the fourth quarter of 2020 (December 31, 2019 – fourth quarter of 2019) by Philafrica's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is EBITDA growth at Philafrica's food businesses, partially offset by corporate overhead costs.

Current Model Assumptions

Free cash flow forecasts were revised downward by Philafrica's management in the fourth quarter of 2020 to primarily reflect (i) an operational fire and the resulting termination of a significant customer contract at the soybean processing business; (ii) the discontinuation of cassava processing, mussels farming and poultry greenfield businesses due to difficulties in ramping up operations, partly due to the COVID-19 pandemic; and (iii) an increase in overhead costs; partially offset by (iv) continued operations through 2020.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate in the countries of Philafrica's operations. These risk premiums reflected increased uncertainty of the revised free cash flow forecasts as a result of the economic and social impacts of the COVID-19 pandemic, as well as the increased credit risk associated with debt restructuring plans at Philafrica's parent company, AGH. Long term growth rates were based on the expected long term sustainable growth rate of the economic environments and sectors in which Philafrica operates.

At December 31, 2020 the company's internal valuation model indicated that the fair value of its investment in Philafrica common shares was $9,065 (December 31, 2019 – $19,271). The changes in fair value of the company's investment in Philafrica common shares in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Philafrica Facility

At December 31, 2020 the company estimated the fair value of its investment in the Philafrica Facility based on an expected recovery model with an expected recovery of 100.0%. The expected recovery was supported by the value of the underlying guarantee and pledge from AGH. AGH reached a debt standstill agreement with its lenders on December 15, 2020 and accordingly, the company determined that an expected recovery model was the most appropriate valuation technique. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Philafrica Facility was $7,164. The changes in fair value of the Philafrica Facility in 2020 are presented in the table disclosed at the outset of the African Investments section of this MD&A.

In 2020 the company recorded interest income of $418 within the consolidated statement of earnings (loss) and comprehensive income (loss) related to the Philafrica Facility.

Investment in GroCapital Holdings Limited

Business Overview

GroCapital Holdings Limited (''GroCapital Holdings'') is a bank holding company that owns 99.9% of Grobank Limited (''Grobank''). Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to medium-sized businesses and individuals, specializing in the agri-business value chain and associated industries in the South African market, driven by a unique combination of retail, business and alliance banking and agri-business experience.

Grobank's principal lines of business are as follows:

Business and Commercial Banking

Grobank's Business and Commercial Banking is focused on the cornerstones of business banking (transactional banking, lending, and deposit services) and targets the small and medium sized business customer. To facilitate international business transactions, Grobank's Business and Commercial banking is fully integrated with the Grobank's Treasury and Global Transactional Services (''GTS'') business (see below). Grobank also offers risk and investment solutions from leading providers in the industry which includes short and long term insurance as well as investment management services. These solutions are delivered through seven business suites situated in key business centres across South Africa.

Treasury and Global Transaction Services (''GTS'')

Grobank's GTS business is focused on providing professional and personalized foreign exchange (import and export) services to the small and medium sized business customer. GTS's range of products include spot and forward contracts, foreign currency accounts, letters of credit, collection of foreign currency, cross border payments and exchange control applications.

Alliance Banking

Grobank's Alliance Banking business model focuses on banking products developed and offered to identified market segments or groups through a leveraged partner system. Grobank strategically partners with established retailers and innovative financial technology (FinTech) companies to deliver these solutions.

Additional information can be accessed from Grobank's website www.grobank.co.za.

Transaction Description

GroCapital Holdings Common Shares

From 2018 until June 30, 2020 the company invested an aggregate of $19,403 (285.7 million South African rand) for a 48.1% equity interest in GroCapital Holdings.

On September 29, 2020 GroCapital Holdings and Grobank entered into a subscription agreement with Access Bank Plc (''Access Bank''), a publicly listed Nigerian commercial bank, pursuant to which Access Bank will invest cash consideration of up to 400.0 million South African rand ($27,232 at period end exchange rates) to acquire a 90.4% equity interest in Grobank in two tranches, subject to regulatory and shareholder approval. Following completion of the first tranche, Grobank will be renamed Access Bank (South Africa) Limited (''Access Bank SA'').

At December 31, 2020 the company had appointed one of the seven GroCapital Holdings board members and one of the seven Grobank board members.

Key Business Drivers, Events, and Risks

Grobank is headquartered in South Africa. Refer to the Operating Environment section of this MD&A for a description of the macroeconomic conditions in South Africa.

On September 29, 2020 GroCapital Holdings entered into an agreement with Access Bank as discussed above. Access Bank is a leading full-service commercial bank operating through a network of more than 600 branches and service outlets, spanning three continents, 12 countries, and 31 million customers. Grobank's strategic focuses for 2021 are to obtain regulatory and shareholder approval of the proposed transaction with Access Bank, and integrate operations seamlessly in order for Access Bank to consolidate its Southern African and broader African footprint with enhanced capabilities to fulfil the needs of multinational clients.

In 2020 Grobank was classified as an essential service and has continued to operate through the lockdown and travel restrictions imposed by the South African government in response to the COVID-19 pandemic primarily remotely, with basic banking services offered in person. The SARB has supported Grobank and the broader banking industry by temporarily reducing the minimum liquidity coverage and capital adequacy requirements.

Valuation and Consolidated Financial Statement Impact

At December 31, 2020 the company estimated the fair value of its investment in GroCapital Holdings common shares based on the recent transaction price of Grobank implied by the subscription agreement with Access Bank. At December 31, 2020 the recent transaction price indicated that the fair value of the company's investment in GroCapital Holdings was $1,399 for the 48.1% equity interest.

At December 31, 2019 the company estimated the fair value of its investment in GroCapital Holdings common shares by estimating the fair value of GroCapital Holdings' 99.9% investment in Grobank using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed discount rate of 17.3% and a long term growth rate of 2.5%. At December 31, 2019 free cash flow forecasts were based on pre-tax income estimates derived from financial information prepared in the fourth quarter of 2019 by Grobank's management. Discount rates were based on the company's assessment of risk premiums to the South African risk-free rate. At December 31, 2019 the company's internal valuation

model indicated that the fair value of the company's investment in GroCapital Holdings was $10,328 for the 35.0% equity interest.

As a result of the transaction with Access Bank the company changed its valuation technique as discussed above.

The changes in fair value of the company's equity interest in GroCapital Holdings in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

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

Transaction Description

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand), net of a 2.5% raising fee (the ''CIG Loan''). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date of June 4, 2023. 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. The CIG Loan is not rated.

In June 2020 due to the impacts of COVID-19, the company allowed CIG to defer interest payments due June 4, 2020 and going forward. At December 31, 2020, deferred interest was $1,099 (16.1 million South African rand) and the unpaid amounts do not accrue interest.

At December 31, 2020, interest receivable of $1,235 on the CIG Loan is expected to be received in more than 12 months.

Valuation and Consolidated Financial Statement Impact

CIG Loan

At December 31, 2020 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 7.9% (December 31, 2019 – 6.8%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. On November 9, 2020 CIG commenced voluntary business rescue proceedings. This did not significantly impact the fair value of the CIG Loan at December 31, 2020 as the Conlog shares pledged as collateral continue to support full recovery of the CIG Loan. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the CIG Loan was $19,254 (December 31, 2019 – $20,744). The changes in fair value of the CIG Loan in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In 2020 the company recorded interest income of $1,932 (2019 – $2,629) in interest within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

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

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

Investment in the PGR2 Loan (Debt Instrument)

Transaction Description

In May 2018, in conjunction with the CIG Loan, the company entered into a secured lending agreement with PGR2 Investments Proprietary Limited (''PGR2''), the largest shareholder of CIG at the time of the transaction, pursuant to

which the company provided PGR2 with $19,969 (260.0 million South African rand) of financing (the ''PGR2 Loan''). The PGR2 Loan was partially secured by common shares of CIG held by PGR2 and associated parties. The PGR2 Loan had a coupon of 15.0% per annum, payable semi-annually in cash or in kind at PGR2's option, with a maturity date of May 24, 2021.

Valuation and Consolidated Financial Statement Impact

At December 31, 2020 as a result of the significant and prolonged decline in the fair value of CIG common shares pledged as security for the PGR2 Loan, the company revised its expected recovery to nil. In 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $22,598 relating to the PGR2 Loan, which was comprised of: (i) an inception to date realized loss of $22,356 reported in net realized losses on investments; (ii) a reversal of prior period unrealized losses of $1,433 reported in net change in unrealized gains on investments; and (iii) net foreign exchange losses of $1,675. The changes in fair value of the PGR2 Loan in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

At December 31, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 13.7%. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $21,240.

In 2020 the company recorded interest income of $1,118 (2019 – $2,987) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the PGR2 Loan.

Investment in Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of debt instruments and warrants. The Atlas Mara debt instruments discussed below are not rated.

On December 28, 2020 Atlas Mara entered into a standstill agreement with its lenders, which expires March 31, 2021 (the ''Atlas Mara standstill agreement''), as a result of continued liquidity pressures facing its African banks, partially due to the COVID-19 pandemic. The execution of the Atlas Mara standstill agreement was a key component of Atlas Mara's plan to repay its outstanding debt obligations through orderly dispositions of certain of its underlying businesses. The expected proceeds from the proposed dispositions and the duration and outcome of negotiations with other lenders have increased risk of recovery, which has been reflected in the valuation of the Atlas Mara 11.0% Convertible Bonds (defined below) and the Atlas Mara 7.5% Bonds (defined below) (collectively, the ''Atlas Mara Bonds'') and the Atlas Mara Facility. As a result of the Atlas Mara standstill agreement and restructuring plan, the company changed its valuation technique to an expected recovery model in the fourth quarter of 2020. In addition, the company will no longer accrue interest on the Atlas Mara Bonds after December 28, 2020, whereas interest continues to accrue on the Atlas Mara Facility.

Transaction Description

Atlas Mara 11.0% Convertible Bonds

In April 2018 the company entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and payable in kind (''Atlas Mara 11.0% Convertible Bonds''). On December 10, 2019, pursuant to the terms of the agreement, Atlas Mara extended the maturity of the bonds by an additional year to December 11, 2020, under substantially the same terms, with the exception that Atlas Mara can now repay the principal at any time prior to maturity.

Atlas Mara 7.5% Bonds plus Warrants

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

In December 2019 the company provided Atlas Mara an extension to March 31, 2020 to pay $900 in interest, due on December 31, 2019. In the second quarter of 2020, partially due to the impacts of COVID-19, the company provided Atlas Mara a further extension on all interest payable from December 31, 2019 and is expected to be received in more than 12 months. The unpaid interest of $2,849 at December 31, 2020 accrues interest at 11.0% per annum. At December 31, 2020, interest receivable of $2,832 on the Atlas Mara 7.5% Bonds reflects the same expected recovery as the principal.

Atlas Mara Facility

On March 30, 2020 the company entered into a secured lending arrangement with Atlas Mara pursuant to which the company agreed to provide up to $40,000 of financing (the ''Atlas Mara Facility''). The Atlas Mara Facility is secured by Atlas Mara's shares in the publicly listed entity, African Banking Corporation Botswana Limited (''Atlas Mara Botswana''). The Atlas Mara Facility bears interest at a rate of 10.0% per annum, which is accrued and capitalized quarterly and will mature on March 31, 2021 with the option of Atlas Mara to repay at any time prior to maturity. In 2020, the company advanced $39,507, net of $493 in raising fees, under the Atlas Mara Facility.

In connection with the Transaction (see note 2 (Helios Transaction) to the consolidated financial statements for the year ended December 31, 2020), Fairfax has guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee described later in the Related Party Transactions section later in this MD&A.

Valuation and Consolidated Financial Statement Impact

Atlas Mara 11.0% Convertible Bonds

At December 31, 2020 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds based on an expected recovery model with an estimated expected recovery of 12.2%. The expected recovery reflected the value of expected proceeds from Atlas Mara's planned asset disposals less expected repayments to higher-ranking and secured lenders as the Atlas Mara 11.0% Convertible Bonds are unsecured. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $2,442.

At December 31, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 10.7% and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $18,296.

Atlas Mara 7.5% Bonds plus Warrants

At December 31, 2020 the company estimated the fair value of its investment in Atlas Mara 7.5% Bonds based on an expected recovery model with an estimated expected recovery of 99.8% of principal and interest. The expected recovery reflected the value of expected proceeds from Atlas Mara's planned asset disposals. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $19,966.

At December 31, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 10.7% and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $18,431.

At December 31, 2020 the fair value of the company's investment in the Atlas Mara Warrants was nil. The company does not expect to recover any of its initial investment in the Atlas Mara Warrants. At December 31, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.3%. At December 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Warrants was $83.

Atlas Mara Facility

At December 31, 2020 the company estimated the fair value of its investment in the Atlas Mara Facility based on an expected recovery model with an estimated expected recovery of 71.3%. The expected recovery reflected the value of expected proceeds from Atlas Mara's planned asset disposals. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Facility was $30,346.

In 2020 the company recorded interest income of $7,668 (2019 – $4,252) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Atlas Mara Bonds and the Atlas Mara Facility.

In 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $83 relating to the Atlas Mara Warrants, which was comprised of: (i) an inception to date realized loss of $2,324 reported in net realized losses on investments; and (ii) a reversal of prior period unrealized losses of $2,241 reported in net change in unrealized gains on investments. The changes in fair value of the company's loan, bonds and warrant investments in Atlas Mara during 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Investment in Nova Pioneer Education Group

Business Overview

Nova Pioneer Education Group (''Nova Pioneer'') is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2013 with its first school opening in South Africa in 2015. Since then, Nova Pioneer has expanded across South Africa and launched its first campus in Kenya in 2016. Nova Pioneer operates thirteen schools with a combined enrollment of approximately 4,450 students.

The middle class has rapidly expanded across key regions in Africa. As a result, the demand for affordable, quality private education has grown in excess of available supply. Nova Pioneer is well-positioned to become a leading brand in the African education sector. Average tuition per student is approximately $3,460 per year and is priced to target emerging middle to upper-middle income families.

Additional information can be accessed from Nova Pioneer's website www.novapioneer.com.

Transaction Description

Nova Pioneer Bonds and Warrants

In December 2017 and the last six months of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited (''Ascendant''), the Mauritius-based parent entity of Nova Pioneer, which consisted of: (i) $26,242 in 20.0% debentures (inclusive of capitalized interest) due on December 31, 2024 (the ''Nova Pioneer Bonds''); and (ii) $781 for 2,477,293 warrants (the ''Nova Pioneer Warrants'') with an exercise price of $2.06 per common share of Ascendant. In the absence of circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may only be exercised on or after June 30, 2021.

In January, April and June 2019 the company invested an aggregate of $9,227 comprised of Nova Pioneer Bonds and 922,707 Warrants with aggregate fair values on the dates of investment of $8,721 and $506 relating to the Nova Pioneer Bonds and Warrants respectively. At December 31, 2020 the company had invested an aggregate of $45,256 in Nova Pioneer, comprised of $43,969 in Nova Pioneer Bonds (inclusive of capitalized accrued interest on the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

In June 2020, due to the impacts of COVID-19, the company provided Nova Pioneer an extension to December 31, 2020 to pay $845 in interest, due on June 30, 2020. In November 2020, the company provided Nova Pioneer a further extension of all interest payable from June 30, 2020 to June 30, 2021. The unpaid interest of $1,785 at December 31, 2020 accrue interest at 20.0% per annum.

At December 31, 2020 the company had appointed two of the twelve Nova Pioneer board members.

Key Business Drivers, Events, and Risks

Nova Pioneer's key business drivers relate to its success in meeting its enrollment targets, scaling and expanding its operations across multiple campuses in Kenya and South Africa through efficient sourcing of financing and capital to support the planned expansion, and building its talent pool of teachers and administrators. During 2019 Nova Pioneer

progressed on several property financing initiatives with various institutional investors, and closed a property joint venture to fund six of its existing schools in South Africa. In January 2020 Nova Pioneer opened new schools in Eldoret, Kenya and Ruimsig, South Africa and expanded capacity at its existing schools. These initiatives have increased total potential student capacity by approximately 30% from approximately 10,000 to 13,000.

In May 2020 Nova Pioneer obtained financing to fund the expansion of Kenyan properties and, in the near term, will continue to pursue growth opportunities in Kenya and in South Africa while ensuring each opportunity presents a strong business case.

During the first quarter of 2020 Nova Pioneer was not classified as an essential business and temporarily closed its schools in South Africa and Kenya due to COVID-19, pivoting toward a home-based learning program. In June 2020 Nova Pioneer commenced a phased reopening of its South African schools and have since fully re-opened, while its Kenyan schools commenced a phased reopening in October 2020.

Valuation and Consolidated Financial Statement Impact

Nova Pioneer Bonds and Warrants

At December 31, 2020 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 28.2% (December 31, 2019 – 14.6%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Ascendant given the deterioration of liquidity as a result of COVID-19 school closures. The company updated its assessment of the Nova Pioneer Bonds' credit quality in the fourth quarter of 2020 which resulted in a significant increase in estimated credit spread. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Nova Pioneer Bonds was $36,421 (December 31, 2019 – $42,093). The changes in fair value of the Nova Pioneer Bonds in 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In 2020 the company recorded interest income of $5,742 (2019 – $7,455) within the consolidated statements of earnings (loss) and comprehensive income (loss) related to the Nova Pioneer Bonds. As a result of continued liquidity pressure, the company is no longer accruing interest on the Nova Pioneer Bonds.

At December 31, 2020 the fair value of the company's investment in the Nova Pioneer Warrants was nil. The company does not expect to recover any of its initial investment in the Nova Pioneer Warrants. At December 31, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.72. At December 31, 2020 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,458.

In 2020 the company's consolidated statement of earnings (loss) and comprehensive income (loss) included a net loss on investments of $1,458 relating to the Nova Pioneer Warrants, which was comprised of: (i) an inception to date realized loss of $1,285 reported in net realized losses on investments; and (ii) a reversal of prior period unrealized gains of $173 reported in net change in unrealized gains on investments. The changes in fair value of the Nova Pioneer Warrants during 2020 and 2019 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Results of Operations

HFP's consolidated statements of earnings (loss) for the years ended December 31, 2020, 2019 and 2018 are shown in the following table:

	2020	2019	2018
Income			
Interest	18,727	22,606	20,848
Dividends	15	2,381	–
Net realized gains (losses) on investments	(208,462)	(4,838)	3,661
Net change in unrealized gains (losses) on investments	30,643	(73,223)	(40,690)
Net foreign exchange gains (losses)	(13,956)	6,832	(25,927)
	(173,033)	(46,242)	(42,108)
Expenses			
Investment and advisory fees	4,128	6,572	6,440
Performance fee recovery	–	–	(319)
General and administration expenses	9,528	3,677	4,281
Helios Transaction expenses	16,507	–	–
Interest expense	773	977	3,200
	30,936	11,226	13,602
Loss before income taxes	(203,969)	(57,468)	(55,710)
Provision for income taxes	2,677	3,731	4,870
Net loss and comprehensive loss	(206,646)	(61,199)	(60,580)
Net loss per share (basic and diluted)	$ (3.31)	$ (1.01)	(1.06)

Total loss from income of $173,033 in 2020 increased from $46,242 in 2019 principally as a result of increased net realized losses on investments and net foreign exchange losses (arising from the weakening of the South African rand relative to the U.S. dollar), partially offset by net change in unrealized gains on investments, which principally reflected reversal of prior period losses on the company's realized positions.

Net realized losses on investments of $208,462 in 2020 related to realized losses on the sale of the Atlas Mara common shares ($141,345), and write-down of CIG common shares ($45,953), the PGR2 Loan ($22,356), Atlas Mara Warrants ($2,324) and Nova Pioneer Warrants ($1,285), partially offset by a realized gain of $4,801 on the settlement of the Atlas Mara Forward Derivative (discussed in the Related Party Transactions section later in this MD&A). Net realized losses on investments of $4,838 in 2019 related to the settlement of the CIG forward derivative obligation upon closing of the CIG Rights Offer.

The net change in unrealized gains on investments of $30,643 in 2020 was principally comprised of the reversal of prior period unrealized losses on the sale of the Atlas Mara common shares ($92,412), reversal of prior period losses on the company's write-downs of CIG common shares ($29,470), Atlas Mara Warrants ($2,241), and the PGR2 Loan ($1,433), and unrealized gains on the Atlas Mara Facility Guarantee ($10,453) (discussed in the Related Party Transactions section later in this MD&A) and Other Public African Investments ($2,221), partially offset by unrealized losses on the company's indirect equity interest in AGH ($43,836), Atlas Mara 11.0% Convertible Bonds ($17,893), GroCapital Holdings common shares ($13,761), the Atlas Mara Facility ($12,095), Nova Pioneer Bonds ($10,930) and Philafrica common shares ($9,090). The net change in unrealized losses on investments of $73,223 in 2019 was principally comprised of unrealized losses on the company's investments in the Atlas Mara common shares ($41,017), CIG common shares ($29,436), Philafrica common shares ($4,841), GroCapital Holdings common shares ($4,285), and indirect equity interest in AGH $1,239), partially offset by the reversal of the prior year unrealized loss related to the settlement of the CIG forward derivative obligation ($5,724) and unrealized gains on the Nova Pioneer Bonds ($3,347).

Net foreign exchange losses of $13,956 in 2020 was principally a result of the weakening of the South African rand relative to the U.S. dollar during the period, principally relating to the company's indirect equity interest in AGH ($7,062), CIG common shares ($3,945), the PGR2 Loan ($1,675), Philafrica common shares ($1,116), the CIG Loan ($1,028), and the company's cash and cash equivalents ($2,906), partially offset by net foreign exchange gains on Other Public African

Investments ($2,562) and the Philafrica Facility ($1,098). Net foreign exchange gains of $6,832 in 2019 was primarily a result of the strengthening of the South African rand relative to the U.S. dollar principally related to the company's indirect equity interest in AGH ($2,263), Philafrica common shares ($649), the PGR2 Loan ($658), the CIG Loan ($575) and GroCapital Holdings common shares ($398), and the company's cash and cash equivalents ($2,207).

Net gains (losses) on investments and net foreign exchange gains (losses) in 2020 and 2019 were comprised as follows:

	2020			2019		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	**Net realized gains (losses)**	**Net change in unrealized gains (losses)**	**Net gains (losses)**
Net gains (losses) on investments:[1]						
Short term investments – U.S. treasuries	–	(47)	(47)	1	47	48
Loans	(22,356)[2]	(11,211)[2]	(33,567)[2]	–	(884)	(884)
Bonds	–	(28,036)	(28,036)	–	3,714	3,714
Common stocks	(187,298)[3]	57,416[3]	(129,882)[3]	–	(80,842)	(80,842)
Derivatives and guarantees	1,192[4]	12,521[4]	13,713[4]	(4,839)[5]	4,742[5]	(97)[5]
	(208,462)	30,643	(177,819)	(4,838)	(73,223)	(78,061)
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	(2,906)	–	(2,906)	2,207	–	2,207
Loans	(2,941)[6]	1,336[6]	(1,605)[6]	(131)	1,233	1,102
Common stocks	(3,928)[7]	(5,775)[7]	(9,703)[7]	–	3,444	3,444
Other	–	258	258	–	79	79
	(9,775)	(4,181)	(13,956)	2,076	4,756	6,832

(1) Refer to the African Investments section of this MD&A for a summary of changes in the fair value of the company's Public and Private African Investments during 2020 and 2019.

(2) In 2020, net losses on loans primarily comprised of realized losses from the PGR2 Loan ($22,356) and net change in unrealized losses primarily related to the Atlas Mara Facility ($12,095), partially offset by the reversal of prior period unrealized losses recorded on the PGR2 Loan ($1,433).

(3) In 2020, net losses on common stocks primarily comprised of realized losses from Atlas Mara common shares ($141,345) and CIG common shares ($45,953) and net change in unrealized losses primarily related to the company's indirect equity interest in AGH ($43,836), GroCapital Holdings common shares ($13,761), and Philafrica common shares ($9,090), partially offset by net change in unrealized gains related to the reversal of prior period unrealized losses recorded on Atlas Mara common shares ($92,412) and CIG common shares ($29,470) and net change in unrealized gains on Other Public African Investments ($2,221).

(4) In 2020, net realized gains on derivatives and guarantees comprised of realized gains from the Atlas Mara Forward Derivative ($4,801), partially offset by realized losses from Atlas Mara Warrants ($2,324) and Nova Pioneer Warrants ($1,285). In 2020, net change in unrealized gains on derivatives and guarantees comprised of net change in unrealized gains on the Atlas Mara Facility Guarantee ($10,453) and the reversal of prior period unrealized losses recorded on Atlas Mara Warrants ($2,241), partially offset by the reversal of prior period unrealized gains recorded on Nova Pioneer Warrants ($173).

(5) In 2019, net loss on derivatives and guarantees comprised of realized losses on the CIG forward derivative liability ($4,839) and net change in unrealized losses on Atlas Mara Warrants ($933) and Nova Pioneer Warrants ($49), partially offset by net change in unrealized gains relating to the reversal of prior period unrealized losses recorded on the CIG forward derivative liability ($5,724).

(6) In 2020, net foreign exchange losses on loans primarily comprised of realized foreign exchange losses from the PGR2 Loan ($2,941), partially offset by net change in unrealized gains primarily relating to the reversal of prior period foreign exchange losses recorded on the PGR2 Loan ($1,266).

(7) In 2020, realized foreign exchange losses on common stocks related to realized foreign exchange losses from CIG common shares ($3,928). In 2020, net change in unrealized foreign exchange losses on common stocks primarily related to the company's investments in its indirect equity interest in AGH ($7,062) and Philafrica common shares ($1,116), partially offset by unrealized foreign exchange gains on Other Public African Investments ($2,562).

Total expenses of $30,936 in 2020 increased from total expenses of $11,226 in 2019 principally as a result of Helios Transaction expenses (relating to legal, financial, and professional fees) and increased general and administration expenses (primarily due to share based payment expense with respect to options granted under the Special Incentive Plan (discussed in the Related Party Transactions section later in this MD&A)), partially offset by decreased investment and advisory fees as a result of decreased African Investments subject to investment and advisory fees.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital and the fair value of TopCo LP Class A and Class B Limited Partnership Interests. In 2020 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. In 2020 investment and advisory fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) was $4,128 (2019 – $6,572).

At December 31, 2020 the company determined that there was no performance fee payable (December 31, 2019 – nil) under the Former Investment Advisory Agreement as the book value per share of $5.50 (before factoring in the impact of the performance fee) at December 31, 2020 was less than the hurdle per share at that date of $9.06. In 2020 and 2019 the company did not record a performance fee within the consolidated statements of earnings (loss) and comprehensive income (loss).

Interest expense of $773 in 2020 and $977 in 2019 related to amortization of issuance costs and interest on $30,000 drawn from the company's Credit Facility, which was repaid on March 21, 2019.

The provision for income taxes of $2,677 in 2020 differed from the recovery of income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's loss before income taxes primarily due to change in unrecorded tax benefit of losses and temporary differences, tax rate differential on losses incurred outside of Canada and other permanent differences, partially offset by non-deductible investment losses. The provision for income taxes of $3,731 in 2019 differed from the recovery of income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's loss before income taxes primarily due to the change in unrecorded tax benefit of losses and temporary differences, tax rate differential on losses incurred outside of Canada and provision relating to prior years, partially offset by foreign exchange fluctuations.

The company reported a net loss of $206,646 (net loss of $3.31 per basic and diluted share) in 2020 compared to net loss of $61,199 (net loss of $1.01 per basic and diluted share) in 2019. The increase in net loss primarily reflected increased net realized losses on investments, Helios Transaction expenses, net foreign exchange losses, increased general and administration expenses, and decreased interest income, partially offset by net change in unrealized gains on investments and decreased investment and advisory fees.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at December 31, 2020 were primarily impacted by African Investments, including the TopCo LP Class A and Class B Limited Partnership Interests acquired through the Transaction, other cash and investments, and share purchases under the terms of the normal course issuer bid.

Total Assets

Total assets at December 31, 2020 of $610,776 (December 31, 2019 – $520,667) were principally comprised as follows:

Total cash and investments decreased to $599,034 at December 31, 2020 from $510,399 at December 31, 2019. The company's total cash and investments, by the issuer's country of domicile was as follows:

	December 31, 2020					December 31, 2019				
	South Africa	Sub-Saharan Africa[1]	Canada and U.S.	Other	Total	South Africa	Sub-Saharan Africa[1]	Canada and U.S.	Other	Total
Cash and cash equivalents	3,045	17,655	45,352	–	66,052	23,224	11,489	9,621	–	44,334
Restricted cash deposits	7,525	–	–	–	7,525	–	7,500	–	–	7,500
Term deposits	–	12,392	–	–	12,392	–	–	–	–	–
Short term investments – U.S. treasuries	–	–		–	–	–	–	104,008	–	104,008
Limited partnership investments:										
TopCo LP Class A Limited Partnership Interest[2]	–	–	–	88,465	88,465	–	–	–	–	–
TopCo LP Class B Limited Partnership Interest[2]	–	–	–	186,834	186,834	–	–	–	–	–
	–	–	–	275,299	275,299	–	–	–	–	–
Loans:										
CIG Loan[3]	7,503	11,316	–	435	19,254	8,084	12,192	–	468	20,744
PGR2 Loan	–	–	–	–	–	21,240	–	–	–	21,240
Atlas Mara Facility[4]	–	30,346	–	–	30,346	–	–	–	–	–
Philafrica Facility[5]	7,164	–	–	–	7,164	–	–	–	–	–
Fairfax Loan	–	–	19,411	–	19,411	–	–	–	–	–
	14,667	41,662	19,411	435	76,175	29,324	12,192	–	468	41,984
Bonds:										
Atlas Mara 11.0% Convertible Bonds[4]	–	2,442	–	–	2,442	–	18,296	–	–	18,296
Atlas Mara 7.5% Bonds[4]	–	19,966	–	–	19,966	–	18,431	–	–	18,431
Nova Pioneer Bonds[6]	20,796	15,625	–	–	36,421	20,015	22,078	–	–	42,093
	20,796	38,033	–	–	58,829	20,015	58,805	–	–	78,820
Common stocks:										
Atlas Mara[4]	–	–	–	–	–	–	78,075	–	–	78,075
CIG[3]	–	–	–	–	–	7,624	11,497	–	441	19,562
Other[7]	14,836	–	–	–	14,836	–	–	–	–	–
Indirect equity interest in AGH[8]	21,246	4,713	–	38,251	64,210	55,246	26,011	–	23,719	104,976
Philafrica[5]	9,065	–	–	–	9,065	14,328	4,943	–	–	19,271
GroCapital Holdings	1,399	–	–	–	1,399	10,328	–	–	–	10,328
	46,546	4,713	–	38,251	89,510	87,526	120,526	–	24,160	232,212
Derivatives and guarantees:										
Atlas Mara Warrants[4]	–	–	–	–	–	–	83	–	–	83
Nova Pioneer Warrants[6]	–	–	–	–	–	693	765	–	–	1,458
Atlas Mara Facility Guarantee	–	–	13,252	–	13,252	–	–	–	–	–
	–	–	13,252	–	13,252	693	848	–	–	1,541
Total cash and investments	92,579	114,455	78,015	313,985	599,034	160,782	211,360	113,629	24,628	510,399

(1) *Sub-Saharan Africa is geographically, the area of the continent of Africa that lies south of the Sahara Desert. It encompasses 46 of Africa's 54 countries including: Angola, Botswana, Congo-Brazzaville, Côte d'Ivoire, Ethiopia, Kenya, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. For the purposes of assessing concentration risk, HFP's investments in South Africa are disclosed separately.*

(2) *TopCo LP is the investment vehicle through which HFP receives its share of cash flows arising from the fee streams of current and future Helios Funds. The Helios private equity funds are domiciled in the Cayman Islands and invest 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.*

(3) *CIG's footprint extends across 20 African countries and the Middle East. Key countries include South Africa, Angola, Ethiopia, Kenya, and Nigeria.*

(4) *Atlas Mara is listed on the London Stock Exchange and has acquired control or significant influence positions in banking operations across seven countries in Sub-Saharan Africa: Botswana, Nigeria, Zimbabwe, Zambia, Mozambique, Rwanda and Tanzania.*

(5) *At December 31, 2019 Philafrica had food-related businesses outside of South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry business in Mozambique. In 2020 these businesses were discontinued.*

(6) *In addition to South Africa, Nova Pioneer also has school campuses in Kenya.*

(7) *Comprised of common shares of public companies listed on the Johannesburg Stock Exchange.*

(8) Acquired through the company's ownership in the investment holding company Joseph Holdings. In addition to South Africa, AGH currently has operational activities in Zambia, Zimbabwe, Mozambique, Congo-Brazzaville, Botswana and Côte d'Ivoire. AGH also has John Deere operations in several markets in Africa and Western Australia, an animal feeds research development venture in the United Kingdom and an investment in animal feeds in the United States.

Cash and cash equivalents increased to $66,052 at December 31, 2020 from $44,334 at December 31, 2019 reflecting net sales of short-term U.S. treasuries and sale of the Atlas Mara common shares, partially offset by the company's additional investments in African Investments (Atlas Mara Facility, indirect equity interest in AGH, Other Public African Investments, Philafrica Facility, GroCapital Holdings common shares, and CIG common shares), increase in term deposits and purchases of subordinate voting shares for cancellation under the terms of the normal course issuer bids.

Restricted cash deposits increased to $7,525 at December 31, 2020 from $7,500 at December 31, 2019 primarily reflecting a transfer of amounts held in deposit accounts with Grobank from cash and cash equivalents to restricted cash deposits, partially offset by a transfer of the Atlas Mara Zambia Term Deposit from restricted cash deposits to term deposits. Refer to the Related Party Transactions section later in this MD&A for details.

Term deposits increased to $12,392 at December 31, 2020 from nil at December 31, 2019 primarily reflecting a transfer of the Atlas Mara Zambia Term Deposit from restricted cash deposits to term deposits, and additional amounts placed on deposit for a fixed period with Atlas Mara Zambia. Refer to the Related Party Transactions section later in this MD&A for details.

Short term investments decreased to nil at December 31, 2020 from $104,008 at December 31, 2019 reflecting net sales of U.S. treasuries.

Loans, Bonds, Common stocks, Derivatives and guarantees, and Limited partnership investments – The company is actively seeking investment opportunities in Africa and will continue to redirect capital from its cash and cash equivalents and short term investments into African Investments as and when those opportunities are identified. For more information about recent African Investments, see the African Investments section of this MD&A. Loans and Derivatives and guarantees include the Fairfax Loan of $19,411 and the Atlas Mara Facility Guarantee of $13,252, which are not African Investments. Refer to the Related Party Transactions section later in this MD&A for details.

Interest receivable of $8,961 at December 31, 2020 primarily related to interest receivable on the company's investments in the Nova Pioneer Bonds, Atlas Mara 7.5% Bonds, and the CIG Loan. Interest receivable of $5,835 at December 31, 2019 primarily related to interest receivable on the company's investments in the Nova Pioneer Bonds, Atlas Mara 7.5% Bonds, the CIG Loan, and the PGR2 Loan.

Deferred income taxes decreased to $835 at December 31, 2020 from $1,665 at December 31, 2019 primarily related to the amortization of tax benefit on share issuance costs.

Total Liabilities

Total liabilities at December 31, 2020 of $11,041 (December 31, 2019 – $1,852) were principally comprised as follows:

Accounts payable and accrued liabilities increased to $6,982 at December 31, 2020 from $297 at December 31, 2019 principally as a result of Helios Transaction expenses incurred by HFP and Helios, payable by the company.

Payable to related parties increased to $3,660 at December 31, 2020 from $1,555 at December 31, 2019 principally as a result of Helios Transaction expenses paid by Fairfax on behalf of the company, partially offset by decreased investment and advisory fees payable. Refer to the Related Party Transactions section later in this MD&A for details.

Income tax payable increased to $399 at December 31, 2020 from a refundable position of $380 at December 31, 2019 primarily related to a decrease in the income tax payments made during the year, partially offset by a decrease in current taxes recorded in the consolidated statements of earnings and comprehensive income (primarily due to a decrease in taxable net income).

Comparison of 2019 to 2018 – Total assets of $643,830 at December 31, 2018 decreased to $520,667 at December 31, 2019 primarily due to net change in unrealized losses, repayment of the Credit Facility, and purchases for cancellation of 3,315,484 subordinate voting shares, partially offset by net change in foreign exchange gains on investments and interest income. Refer to note 6 (African Investments) to the consolidated financial statements for the year ended December 31, 2020 for details on the African Investments acquired during 2019.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at December 31, 2020 compared to those identified at December 31, 2019, other than as outlined in note 12 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2020.

Capital Resources and 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, was $599,735 at December 31, 2020 (December 31, 2019 – $518,815). The increase was principally related to issuances of subordinate voting shares and multiple voting shares to the Helios Holdings Group in consideration for TopCo LP Class A and Class B Limited Partnership Interests, partially offset by a net loss of $206,646 and purchases for cancellation of 463,506 subordinate voting shares for a net cost of $1,850.

On December 21, 2018 the company drew $30,000 from the Credit Facility with a 3-month term that was repaid on March 21, 2019 along with accrued interest of $509. On September 7, 2019 the Credit Facility matured. On December 20, 2019 the company entered into the Second Credit Facility. On December 20, 2020 the Second Credit Facility matured and was not renewed. Refer to note 8 (Borrowings) to the consolidated financial statements for the year ended December 31, 2020 for details.

Book Value per Share

Common shareholders' equity at December 31, 2020 was $599,735 (December 31, 2019 – $518,815). The company's book value per share at December 31, 2020 was $5.50 compared to $8.72 at December 31, 2019, representing a decrease in 2020 of 36.9%, primarily due to a net loss of $206,646 in 2020 (principally due to net realized losses and net change in unrealized losses on the company's African Investments still held, Helios Transaction expenses, net foreign exchange losses and increased general and administration expenses, partially offset by net change in unrealized gains on investments which principally reflected reversal of prior period losses on the company's realized positions). The company purchased for cancellation 463,506 subordinate voting shares (2019 – 3,315,484) under the terms of the normal course issuer bids for a net cost of $1,850 (2019 – $27,018) and $2,960 (2019 – $7,390) was recorded as a benefit in retained earnings, which increased book value per share.

The table below presents the book value per share from the company's IPO date of February 17, 2017 to December 31, 2020, and the annual growth (decline) and the compound annual decline in book value per share since IPO. Due to the termination of the Former Investment Advisory Agreement, the second calculation period was ended December 31, 2020 and the company determined that there was no performance fee payable (December 31, 2019 – nil) as the book value per share of $5.50 (before factoring in the impact of the performance fee) at December 31, 2020 was less than the hurdle per share at that date of $9.06.

	Book value per share	Annual growth (decline) in book value per share
February 17, 2017[1]	$10.00	–
December 31, 2017	$10.21	2.1%
December 31, 2018	$ 9.60	(6.0)%
December 31, 2019	$ 8.72	(9.2)%
December 31, 2020	$ 5.50	(36.9)%
Compound annual decline in book value per share[2]		(14.3)%

(1) On February 17, 2017 the company completed its IPO at an offering price of $10.00 per share.

(2) The company's book value per share, before and after performance fee, of $5.50 at December 31, 2020 represented a compound annual decline rate from the initial public offering price of $10.00 per share of 14.3%.

HFP's compound annual decline in book value per share to $5.50 at December 31, 2020 was in line with the performance of the broader African macroeconomic environment, which encountered challenges early in 2020 as a result of the COVID-19 pandemic and has since begun a slow recovery. HFP's book value per share of $5.50 at December 31, 2020 represented a compound annual decline during that period of 14.3% from the initial public offering price of $10.00 per share, underperforming the compound annual decline of the MSCI Emerging Frontier Markets Africa Index of 1.5% during the same period.

During 2020 the total number of shares effectively outstanding increased as a result of issuances of 24,632,413 subordinate voting shares and 25,452,865 multiple voting shares to the Helios Holdings Group in consideration for TopCo LP Class A and Class B Limited Partnership Interests, partially offset by purchases for cancellation of 463,506 subordinate voting shares under the terms of the normal course issuer bids. At December 31, 2020 there were 109,118,253 common shares effectively outstanding.

The company has issued and purchased its common shares since it was federally incorporated on April 28, 2016 as follows:

Date	Number of subordinate voting shares	Number of multiple voting shares[(1)]	Total number of shares	Average issue/ purchase price per share	Net proceeds (purchase cost)
2016 – issuance of shares	–	1	1	$10.00	–
2017 – issuance of shares	20,620,189	29,999,999	50,620,188	$ 9.75	$493,326
2018 – issuance of shares	12,300,000	–	12,300,000	$12.06	$148,316
2018 – purchase of shares	(108,224)	–	(108,224)	$ 9.06	$ (981)
2019 – purchase of shares	(3,315,484)	–	(3,315,484)	$ 8.15	$ (27,018)
	29,496,481	30,000,000	59,496,481		
2020 – issuance of shares	24,632,413	25,452,865	50,085,278	$ 5.50	$275,299
2020 – purchase of shares	(463,506)	–	(463,506)	$ 3.99	$ (1,850)
	53,665,388	55,452,865	109,118,253		

(1) Multiple voting shares are not publicly traded.

On June 30, 2020 the company announced that the TSX had accepted its intention to commence a normal course issuer bid to purchase up to 2,162,134 subordinate voting shares, representing approximately 10% of the public float of its subordinate voting shares, over a twelve month period from July 8, 2020 to July 7, 2021. Decisions regarding any future repurchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

During 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 463,506 subordinate voting shares (2019 – 3,315,484) for a net cost of $1,850 (2019 – $27,018) and $2,960 (2019 – $7,390) was recorded as a benefit in retained earnings.

Liquidity

The undeployed cash and investments at December 31, 2020 provide adequate liquidity to meet the company's remaining known significant commitments over the next twelve months, which are principally comprised of the investment and advisory fees, Helios Transaction expenses, general and administration expenses and corporate income taxes. The company has adequate working capital to support its operations.

At December 31, 2020 there were no performance fee obligations. 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 second calculation period ended December 31, 2020.

The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent HFP has received Carried Interest Proceeds and a clawback is required. The risk is partially mitigated by escrow accounts required by each Helios Fund in accordance with their respective governing documents. 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, the risk of which is partially mitigated by the six-month holding period of Net Management Fee Proceeds by TopCo LP. The company is required to compensate the Co-Chief Executive Officers up

to a maximum of $500 each per year, to the extent that each of their annual salaries of $2,000 per year are not fully paid by the Manager.

Highlights in 2020 (with comparisons to 2019) of major components of the statements of cash flows are presented in the following table:

	2020	2019
Operating activities		
Cash used in operating activities excluding the impact of changes in restricted cash deposits, changes in term deposits and net sales (purchases) of investments	(14,050)	(6,931)
Net sales (purchases) of short term investments	104,095	(64,016)
Purchases of investments	(71,154)	(74,141)
Disposals of investments	20,000	20,875
Increase in restricted cash deposits in support of investments	(25)	(7,500)
Increase in term deposits in support of investments	(12,392)	–
Financing activities		
Repayment of the Credit Facility	–	(30,000)
Purchase of subordinate voting shares	(1,850)	(27,018)
Increase (decrease) in cash and cash equivalents during the year	24,624	(188,731)

''Cash used in operating activities excluding the impact of changes in restricted cash deposits, changes in term deposits and net sales (purchases) of investments'' provides a measure of 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, Helios Transaction expenses, and general and administration expenses, and excludes the impact of changes to restricted cash deposits, changes to term deposits and purchases and sales of investments. Cash used in operating activities excluding the impact of changes in restricted cash deposits, changes in term deposits and net sales (purchases) of investments of $14,050 in 2020 increased from $6,931 in 2019 primarily due to Helios Transaction expenses, and decreased cash interest and dividends received, partially offset by decreased income taxes paid, decreased investment and advisory fees, and decreased interest paid on borrowings.

Net sales of short term investments of $104,095 in 2020 related to net sales of U.S. treasuries for deployment into African Investments and into U.S. treasuries due in less than 3 months. Net purchases of short term investments of $64,016 in 2019 related to net purchases of U.S. treasuries that had not yet been deployed into African Investments.

Purchases of investments of $71,154 in 2020 primarily related to the company's investments in the Atlas Mara Facility, additional investments in the company's indirect equity in AGH through a shareholder loan to Joseph Holdings, Other Public African Investments, the Philafrica Facility, GroCapital Holdings common shares and CIG common shares. Purchases of investments of $74,141 in 2019 primarily related to the company's investments in the CIG common shares acquired through the CIG Rights Offer, the AGH Facility, Nova Pioneer Bonds and Warrants and additional investment in GroCapital Holdings common shares.

Disposals of investments of $20,000 in 2020 related to upfront proceeds from the sale of Atlas Mara common shares. Disposals of investments of $20,875 in 2019 primarily related to the proceeds received on the maturity of the AGH Facility on July 19, 2019 and partial redemption of Class A shares of Joseph Holdings.

Increase in restricted cash deposits in support of investments of $25 in 2020 reflected a transfer of amounts held in deposit accounts with Grobank from cash and cash equivalents to restricted cash deposits, partially offset by the transfer of the Atlas Mara Zambia Term Deposit from restricted cash deposits to term deposits. Increase in restricted cash deposits in support of investments of $7,500 in 2019 reflected a term deposit with Atlas Mara Zambia. Refer to the Related Party Transactions section later in this MD&A for details.

Increase in term deposits in support of investments of $12,392 in 2020 reflected a transfer of the Atlas Mara Zambia Term Deposit from restricted cash deposits to term deposits, and additional amounts placed on deposit for a fixed period with Atlas Mara Zambia. Refer to the Related Party Transactions section later in this MD&A for details.

Repayment of the Credit Facility of $30,000 in 2019 related to the repayment upon maturity on March 21, 2019.

Purchase of subordinate voting shares of $1,850 in 2020 related to the cash paid for the company's purchases for cancellation of 463,506 subordinate voting shares under the terms of the normal course issuer bid that were settled in the year. Purchase of subordinate voting shares of $27,018 in 2019 related to the cash paid for the company's purchases for

cancellation of 3,315,484 subordinate voting shares under the terms of the normal course issuer bid that were settled in the year. Refer to note 9 (Common Shareholders' Equity) to the consolidated financial statements for the year ended December 31, 2020 for details.

Contractual Obligations

Under the terms of the Investment Advisory Agreement and the Former Investment Advisory Agreement (defined in the Related Party Transactions section later in this MD&A), the company is contractually obligated to pay TopCo LP and Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees recorded in the consolidated statements of earnings (loss) and comprehensive income (loss) in 2020 was $4,128 (2019 – $6,572).

Due to the termination of the Former Investment Advisory Agreement, the second calculation period was ended December 31, 2020 and the company determined that there was no performance fee payable (December 31, 2019 – nil) as the book value per share of $5.50 (before factoring in the impact of the performance fee) at December 31, 2020 was less than the hurdle per share at that date of $9.06. In 2020 and 2019 the company did not record a performance fee within the consolidated statements of earnings (loss) and comprehensive income (loss). Refer to the Related Party Transactions section of this MD&A for discussion on the performance fee.

Related Party Transactions

Investment in TopCo LP

Upon closing of the Transaction, the company acquired all of the issued and outstanding TopCo LP Class A and Class B Limited Partnership Interests from HHL and HHPL. TopCo LP was formed as the investment vehicle through which HFP will receive cash flows from its entitlement to certain Helios fee streams and has entered into a sub-advisory agreement with Helios Investment Partners LLP, to provide investment and advisory services to HFP. Refer to note 6 (African Investments) to the consolidated financial statements for the year ended December 31, 2020 for details on the acquisition of TopCo LP.

Investment Advisory Agreements

On December 8, 2020, the company and its subsidiaries terminated the Former Investment Advisory Agreement with HWIC and entered into a new administration and investment advisory services agreement with TopCo LP (the ''Investment Advisory Agreement'') pursuant to which TopCo LP replaced HWIC and Fairfax and became the new portfolio advisor and portfolio administrator to the company and its subsidiaries. TopCo LP immediately entered into a sub-investment and advisory agreement with Helios Investments Partners LLP (the ''Manager'') pursuant to which the Manager was appointed as TopCo LP's sub-advisor for the purposes of the Investment Advisory Agreement. As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity adjusted to exclude TopCo LP.

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 the TopCo LP Limited Partnership Interests 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 terms of the Former Investment Advisory Agreement, the calculation above was based on book value per share. Due to the termination of the Former Investment Advisory Agreement, the second calculation period was ended December 31, 2020 and the company determined that there was no performance fee payable (December 31, 2019 – nil) as the book value per share of $5.50 (before factoring in the impact of the performance fee) at December 31, 2020 was less than the hurdle per share at that date of $9.06.

Under the Investment Advisory Agreement, the period from January 1, 2021 to December 31, 2023 is the first three-year period for which a performance fee, if applicable, will be payable to TopCo LP. At January 1, 2021, the hurdle per share was $2.97.

Under the Investment Advisory Agreement, 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.

Investment and Advisory Fees

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital and the fair value of TopCo LP Class A and Class B Limited Partnership Interests. In 2020 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. In 2020 investment and advisory fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) was $4,128 (2019 – $6,572), of which $3,927 was incurred under the Former Investment Advisory Agreement and $201 was incurred under the Investment Advisory Agreement (2019 – $6,572 and nil respectively).

Management Services Agreement

On December 8, 2020 the company entered into a management services agreement with Fairfax (the ''Management Services Agreement''), pursuant to which Fairfax will provide certain services to the company and its subsidiaries on a two-year transitional basis for $1,700 in the first year and $2,125 in the second year, paid quarterly in arrears. In 2020 management services fees recorded within the consolidated statements of earnings (loss) and comprehensive income (loss) was $107 (2019 – nil).

Helios Transaction Expenses

Helios Transaction expenses payable of $2,532 at December 31, 2020 (December 31, 2019 – nil) was comprised of amounts due to Fairfax for Transaction expenditures paid by Fairfax on behalf of the company.

Other

Other payable of $48 at December 31, 2020 (December 31, 2019 – $31) was primarily comprised of amounts due to Fairfax for expenses incurred by Fairfax and HWIC on behalf of the company.

Fairfax's Voting Rights and Equity Interest

At December 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 5,279,489 subordinate voting shares of HFP (December 31, 2019 – 30,000,000 and 6,885,421 respectively).

At December 31, 2020 Fairfax's holdings of multiple and subordinate voting shares represented 53.3% of the voting rights and 32.3% of the equity interest in HFP (December 31, 2019 – 98.5% and 62.0%).

Helios' Voting Rights and Equity Interest

At December 31, 2020 Principal Holdco, a Luxembourg holding company, indirectly owned by Tope Lawani and Babatunde Soyoye, owned 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP (December 31, 2019 – nil for both).

At December 31, 2020 Helios' holdings of multiple and subordinate voting shares represented 45.9% of the voting rights and 45.9% of the equity interest in HFP (December 31, 2019 – nil for both).

Special Incentive Plan

On December 8, 2020 and in connection with the closing of the Transaction (see note 2 (Helios Transaction) to the consolidated financial statements for the year ended December 31, 2020), the company adopted a new special incentive plan (the ''Special Incentive Plan''), pursuant to which 2,505,637 options to purchase subordinate voting shares of the company were granted to the SIP Recipients. Options issued under the Special Incentive Plan vested immediately on grant date and had an exercise price of $3.99 per share and maturity date of December 8, 2030. The options may also be exercised by way of a cashless exercise, at the participant's option, where the company will issue shares equivalent to the amount by which the aggregate fair market value of the shares at time of exercise exceed the exercise price, less any applicable withholding taxes. At December 31, 2020 the maximum number of options under the Special Incentive Plan had been issued, and none of the options granted were exercised.

In 2020 the company recorded share based payment expense of $5,804 in general and administration expenses within the consolidated statement of earnings (loss) and comprehensive income (loss) with respect to options granted under the Special Incentive Plan.

Helios Transaction – Related Party Financial Instruments

In connection with the Transaction, the company entered into related party transactions with Fairfax to purchase and guarantee certain of the company's cash and investment holdings during 2020 (see note 2 (Helios Transaction) to the consolidated financial statements for the year ended December 31, 2020, and discussion below). These transactions were recorded on the consolidated balance sheet, the consolidated statement of earnings (loss) and comprehensive income (loss) and the consolidated statement of changes in equity as follows:

	December 31, 2020		Year ended December 31, 2020	
Financial instrument	**Balance sheet line**	**Fair value**	**Net gains (losses) on investments**	**Common shareholders' equity**
Atlas Mara Forward Derivative	Derivatives and guarantees	–	4,801	6,056
Fairfax Loan	Loans	19,411	–	(603)
Atlas Mara Facility Guarantee[(1)]	Derivatives and guarantees	13,252	10,453	2,799
Atlas Mara Zambia Term Deposit Guarantee[(2)]	Derivatives and guarantees	–	–	–
Grobank Deposit Guarantee[(3)]	Derivatives and guarantees	–	–	–
		32,663	15,254	8,252

(1) Relates to the Atlas Mara Facility which had a fair value of $30,346 at December 31, 2020, recorded in loans within the consolidated balance sheet.

(2) Relates to the Atlas Mara Zambia Term Deposit which had a fair value of $12,392 at December 31, 2020, recorded in term deposits within the consolidated balance sheet (December 31, 2019 – $7,500 recorded in restricted cash deposits).

(3) Relates to amounts on deposit at Grobank which had a fair value of $7,525 at December 31, 2020, recorded in restricted cash deposits within the consolidated balance sheet (December 31, 2019 – $13,298 recorded in cash and cash equivalents).

Atlas Mara Forward Derivative

On July 10, 2020 in connection with the Transaction (refer to the Helios Transaction section earlier in this MD&A), the company entered into an agreement to sell its 42.3% equity interest in Atlas Mara to Fairfax for proceeds of $40,000, giving rise to a forward derivative (the ''Atlas Mara Forward Derivative''). On July 10, 2020, as a result of the decline in the fair value of Atlas Mara, the Atlas Mara sales proceeds of $40,000 exceeded the fair value of Atlas Mara common shares by $6,056. This difference was recorded as a benefit in contributed surplus within common shareholders' equity. On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000. As a result of a further decline in Atlas Mara's share price from July 10, 2020 to Transaction closing, the company recognized a realized gain on the settlement of the Atlas Mara Forward Derivative of $4,801.

Fairfax Loan

On December 7, 2020, prior to closing of the Transaction, the company's investment in Atlas Mara common shares was sold to Fairfax for proceeds of $40,000. Net proceeds were comprised of $20,000 in cash and $20,000 in the interest-free Fairfax Loan due from Fairfax no later than three years from closing of the Transaction. The company estimated the fair value of the benefit to Fairfax of the interest-free loan to be $603, which was recognized in retained earnings (deficit) within the consolidated statement of changes in equity.

At December 31, 2020 the company determined that the amortized cost of the Fairfax Loan of $19,411 approximated fair value.

Atlas Mara Facility Guarantee

On July 10, 2020 in connection with the Transaction (see note 2 (Helios Transaction) to the consolidated financial statements for the year ended December 31, 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 derivatives and guarantees within the consolidated balance sheet.

At inception, the difference between fair value ($2,799) and transaction price (nil) of the Atlas Mara Facility Guarantee was recorded in contributed surplus within common shareholders' equity. At December 31, 2020 the company estimated the fair value of its investment in the Atlas Mara Facility Guarantee using the fair value at that date of the Atlas Mara Facility compared to the present value of the interest and repayment obligations of the Atlas Mara Facility guaranteed by Fairfax, discounted using observable default spreads specific to Fairfax. Refer to note 6 (African Investments) to the consolidated financial statements for the year ended December 31, 2020 for details on the valuation methodology used to determine the fair value of the Atlas Mara Facility.

As a result of a further decline in the fair value of the Atlas Mara Facility from July 10, 2020 to December 31, 2020, the company recorded an unrealized gain on the Atlas Mara Facility Guarantee of $10,453. At December 31, 2020 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara Facility Guarantee was $13,252.

Atlas Mara Zambia Term Deposit

On December 13, 2019 the company entered into a term deposit agreement with Atlas Mara Zambia whereby the company agreed to place up to $15,000 with Atlas Mara Zambia as a term deposit, bearing interest at a rate of LIBOR plus 400 basis points. The company placed the term deposit in Atlas Mara Zambia in two tranches: (i) $7,500 deposited on December 20, 2019 (the ''First Tranche''; and (ii) $4,890 deposited on February 14, 2020 (the ''Second Tranche''). Atlas Mara directed the company to wire the Second Tranche directly to a third party creditor and agreed to record the term deposit. Atlas Mara Zambia has been unable to record the term deposit as it has not yet received regulatory approval from the Central Bank of Zambia. Atlas Mara is pursuing this matter and discussions are ongoing. The term deposit matured on December 18, 2020 and was renewed to June 18, 2021. The term deposit is collateralized with Zambia Eurobonds with a fair value of $12,539 deposited for the benefit of the company and cash collateral of $991 recorded within cash and cash equivalents, which are held in trust by HFP. In connection with the closing of the Transaction, Fairfax has also guaranteed that the term deposit of $12,392 plus accrued interest may be withdrawn at any time after December 8, 2021.

At December 31, 2020 the company had a term deposit of $12,392 (December 31, 2019 – $7,500, recorded at the value of the cash placed on deposit with Atlas Mara Zambia and supported by the collateral held for the benefit of the company. In 2020 the Atlas Mara Zambia Term Deposit was transferred from restricted cash deposits to term deposit as a result of a decline in the fair value of the underlying Zambia Eurobonds and cash pledged as collateral relative to the term deposit balance.

Deposits on Account with Grobank

At December 31, 2020 the company held $7,525 (December 31, 2019 – $13,298) in deposit accounts with Grobank. In connection with the closing of the Transaction, Fairfax guaranteed that $7,283 on deposit at Grobank may be withdrawn at any time after December 8, 2021.

HFP 3.0% Debentures

Subsequent Events

On January 21, 2021, the company announced it had agreed to enter into an arrangement with Fairfax, whereby Fairfax will invest $100,000 in 3.0% unsecured debentures of HFP subordinate voting shares (the ''HFP 3.0% Debentures'') and 3 million warrants of HFP (the ''HFP Warrants'') with an exercise price of $4.90, exercisable at any time prior to the fifth anniversary of the closing date. The net proceeds expected from the HFP 3.0% Debentures will primarily be used to make additional African Investments. The HFP 3.0% Debentures mature three years from the closing date and contain a put option at Fairfax's option on each of the first two anniversary dates of closing. At maturity or on redemption, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in AGH (indirect via Joseph Holdings), Philafrica common shares, the Philafrica Facility, and the PGR2 Loan (collectively, the ''Reference Investments'') is lower than $102,600. At December 31, 2020 the Reference Investments had a fair value of $80,439.

Other Related Party Financial Instruments

Guarantor for Atlas Mara Loan from TLG Capital

On December 31, 2019 the company agreed to guarantee up to $20,000 in principal on a facility provided to Atlas Mara by TLG Capital. Atlas Mara required the company's consent in order to draw more than $10,000 on the TLG Facility, which was secured by Atlas Mara's shares in Atlas Mara Botswana. At December 31, 2020 Atlas Mara had drawn $8,000 on the

TLG Facility and the fair value of the Atlas Mara Botswana shares held as collateral was $11,044. This contract is a financial guarantee contract with a nominal fair value at December 31, 2020.

Subsequent Events

On January 8, 2021, TLG Capital called the TLG Facility and as Atlas Mara was unable to meet the call, TLG Capital enforced the guarantee contract with the company. As a result, on January 19, 2021, the company delivered notice of enforcement to Atlas Mara, which entitles the company to various rights, including the right to take over certain Atlas Mara Botswana shares with a fair value of $11,044, and paid $8,474 in principal, interest, and fees to TLG Capital in settlement of the guarantee.

For additional details on the company's related party transactions, see note 13 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2020.

Accounting and Disclosure Matters

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the company's management, including the company's Co-CEOs and CFO, the company conducted an evaluation of the effectiveness of its disclosure controls and procedures as of December 31, 2020, as required by the Canadian securities legislation. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the company in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the company's Co-CEOs and CFO, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the Co-CEOs and CFO have concluded that as of December 31, 2020, the company's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

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

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

The company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2020. 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 this assessment the company's management, including the Co-CEOs and CFO, concluded that, as of December 31, 2020, the company's internal control over financial reporting was effective based on the criteria in *Internal Control – Integrated Framework (2013)* issued by COSO.

Critical Accounting Estimates and Judgments

Please refer to note 5 (Critical Accounting Estimates and Judgments) to the consolidated financial statements for the year ended December 31, 2020.

Significant Accounting Policy Changes

There were no significant accounting policy changes during 2020. Please refer to note 4 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2020 for a detailed discussion of the company's accounting policies.

Future Accounting Changes

Certain new IFRS may have a significant impact on the company's consolidated financial reporting in the future. Each of those standards will require a moderate degree of implementation effort. The company does not expect to adopt any of these new standards in advance of their respective effective dates. New standards and amendments that have been issued but are not yet effective are described in note 4 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2020.

Risk Management

Overview

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 December 31, 2020 compared to those identified at December 31, 2019, other than as outlined in note 12 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2020.

Risks

The following risks, among others, should be considered in evaluating the outlook for the company. Additional risks not currently known to the company or that are currently deemed immaterial may also impair business operations. The company, its consolidated subsidiaries, Fairfax, the Manager monitor these risks on an on-going basis and take actions as needed to mitigate their impact. For further detail about the risks relating to the company, please see Risk Factors in HFP's most recent annual information form, which is available on SEDAR at www.sedar.com.

The COVID-19 Pandemic

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The Company's African Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the Company's African Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in various parts of the world. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Geographic Concentration of Investments

Substantially all of the company's investments will be made in Africa and in African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa. As a result, the company's performance is particularly sensitive to economic changes in Africa. The market value of the company's investments, the income generated by the company and the company's performance is particularly sensitive to changes in the economic condition and regulatory environment in the countries in Africa. Adverse changes in the economic condition or regulatory environment of the countries in Africa in which it invests may have a material adverse effect on the company's business, cash flows, financial condition and net earnings.

Financial Market Fluctuations

The company invests in both private businesses and publicly traded businesses. With respect to publicly traded businesses, fluctuations in the market prices of such securities may negatively affect the value of such investments. In addition, general instability in the public debt market and other securities markets may impede the ability of businesses to refinance their debt through selling new securities, thereby limiting the company's investment options with regard to a particular portfolio investment.

Global capital markets have experienced extreme volatility and disruption in recent years as evidenced by the failure of major financial institutions, significant write-offs suffered by the financial services sector, the re-pricing of credit risk, the unavailability of credit or the downgrading and the possibility of default by sovereign issuers, forced exit or voluntary withdrawal of countries from a common currency and/or devaluation. Despite actions of government authorities, these events have contributed to a worsening of general economic conditions, high levels of unemployment in certain Western economies and the introduction of austerity measures by certain governments.

Such worsening of financial market and economic conditions may have a negative effect on the valuations of, and the ability of the company to exit or partially divest from, investment positions. Adverse economic conditions may also decrease the value of collateral securing some of its positions, and require the company to contribute additional collateral.

Depending on market conditions, the company may incur substantial realized and unrealized losses in future periods, all of which may materially adversely affect its results of operations and the value of any investment in the company.

Pace of Completing Investments

The company's business is to identify, with the assistance of the Portfolio Advisor, suitable investment opportunities, pursuing such opportunities and consummating such investment opportunities. If the company is unable to source and manage its investments effectively, it would adversely impact the company's financial position and earnings.

There can be no assurance as to the pace of finding and implementing investment opportunities. Conversely, there may only be a limited number of suitable investment opportunities at any given time. This may cause the company, while it deploys cash proceeds not yet invested, to hold significant levels of cash, cash equivalents, short term U.S. treasuries or Government of South Africa bonds. A lengthy period prior to which capital is deployed may adversely affect the company's overall performance.

Minority Investments

The company may make minority equity investments in which the company does not participate in the management or otherwise influence the business or affairs of such businesses. The company will monitor the performance of each investment and maintain an ongoing dialogue with each business's management team. However, day-to-day operations will primarily be the responsibility of each businesses' management team and the company may not have the right to influence such operations.

Reliance on Key Personnel and Risks Associated with the Investment Advisory Agreement

The management and governance of the company depends on the services of certain key personnel, including key personnel of the Portfolio Advisor, the Manager, as sub-advisor of the Portfolio Advisor, and certain executive officers of the company. The loss of the services of any key personnel, particularly Tope Lawani and Babatunde Soyoye, could have a material adverse effect on the company and materially adversely affect the company's financial condition and results of operations.

The company relies on the Portfolio Advisor and any of its sub-advisors or consultants, from time to time, including the Manager, with respect to the sourcing and advising, as applicable, with respect to their investments. Consequently, the company's ability to achieve its investment objectives depends in large part on the Portfolio Advisorr, the Manager, in its role as sub-advisor, and their respective ability to identify and advise the company on attractive investment opportunities. This means that the company's investments are dependent upon the business contacts of the Portfolio Advisor and the Manager, in its role as sub-advisor, and their respective ability to (i) successfully hire, train, supervise and manage their personnel and (ii) to maintain their operating systems. If the company were to lose the services provided by the Portfolio Advisor, the Manager, in its role as sub-advisor, or their key personnel or if the Portfolio Advisor or the Manager, in its role as sub-advisor, fail to satisfactorily perform the Portfolio Advisor's obligations under the Investment Advisory Agreement, the company's investments and growth prospects may decline.

The company may be unable to duplicate the quality and depth of management from the Portfolio Advisor or the Manager, in its role as sub-advisor, if the company were to source and manage its own investments or if it were to hire another investment advisor. Prospective investors should not purchase any securities of the company unless they are prepared to rely on the Directors, the Sub Directors, each of their respective executive officers and the Portfolio Advisor and any of its sub-advisors (including the Manager). The Investment Advisory Agreement may be terminated in certain circumstances and is only renewable on certain conditions. Accordingly, there can be no assurance that the company will continue to have the benefit of the services of the Portfolio Advisor and the Manager, in its role as sub-advisor, including their respective executive officers, investment professionals and other personnel, that the Portfolio Advisor will continue to be the company's investment advisor, that the Manager will continue to be the Portfolio Advisor's sub-advisor, or that the Portfolio Advisor will continue to provide investment administration services to the company. If the Portfolio Advisor or Manager, in its role as sub-advisor, should cease for whatever reason to be the investment advisor of the company, the cost of obtaining substitute services may be greater than the fees the company will pay the Portfolio Advisor under the Investment Advisory Agreement and Management Services Agreement respectively. Such increased fees may adversely affect the company's ability to meet its objectives and execute its strategy which could materially and adversely affect the company's cash flows, net earnings and financial condition.

Operating and Financial Risks of African Investments

Businesses in which the company invests could deteriorate as a result of, among other factors, an adverse development in their business operations, a change in the competitive environment or an economic downturn. As a result, businesses that the company expects to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or experience financial distress. In some cases, the success of the company's investment strategy will depend, in part, on the ability of the company to restructure and effect improvements in the operations of a business in which it has invested. The activity of identifying and implementing restructuring programs and operating improvements at businesses entails a high degree of uncertainty. There can be no assurance that the company will be able to successfully identify and implement such restructuring programs and improvements.

Valuation Methodologies Involve Subjective Judgments

The company's financial assets and liabilities are valued in accordance with IFRS. Accordingly, the company is required to follow a specific framework for measuring the fair value of its assets and liabilities and, in its consolidated financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financial instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

A portion of the company's portfolio investments are in the form of securities that are not publicly traded and thus have no readily ascertainable market prices. The fair value of securities and other investments that are not publicly traded may not be readily determinable. The company will value these securities quarterly at fair value as determined in good faith by the company and in accordance with the valuation policies and procedures under IFRS. The company may utilize the services of an independent valuation firm to aid it in determining the fair value of these securities. The types of factors that may be considered in fair value pricing of the company's investments include the nature and realizable value of any collateral, the portfolio business' ability to make payments and its earnings, the markets in which the portfolio investment does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, such valuations may fluctuate over short periods of time and may be based on estimates. Thus, the company's determinations of fair value may differ materially from the prices that would have been obtained if a ready market for these securities existed. The value of the company's total assets could be materially adversely affected if the company's determinations regarding the fair value of its investments were materially higher than the values that it ultimately realizes upon the disposition of such securities.

The value of the company's investment portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, the company will be required to adopt new or revised accounting standards or guidance. It is

possible that future accounting standards that the company is required to adopt could change the valuation of the company's assets and liabilities.

Due to a wide variety of market factors and the nature of certain securities to be held by the company, there is no guarantee that the fair value determined by the company or any third-party valuation agents will represent the value that will be realized by the company on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by the company or any third-party valuation agents are inherently different from the valuation of the company's securities that would be performed if the company were forced to liquidate all or a significant portion of its securities, which liquidation valuation could be materially lower.

In addition, the values of the company's investments are subject to significant volatility, including due to a number of factors beyond the company's control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions or dispositions. In addition, because the company often holds substantial positions in its investees, the disposition of these securities often is delayed for, or takes place over, long periods of time, which can further expose the company to volatility risk. Even if the company holds an investment that may be difficult to liquidate in a single transaction, the company may not discount the market price of the security sufficiently for purposes of its valuations. If the company realizes value on an investment that is significantly lower that the value at which it was recorded in its balance sheet, the company would recognize investment losses.

Lawsuits

The company may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada, Africa (including Mauritius) or elsewhere. The existence of such claims against the company or its affiliates, directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The company manages day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls. Internal and external legal counsel also work closely with the company to identify and mitigate areas of potential regulatory and legal risk.

Use of Leverage

The company may rely on the use of leverage when making its investments. As such, the ability to achieve attractive rates of return on such investments will significantly depend on the company's continued ability to access sources of debt financing on attractive terms. An increase in either market interest rates or in the risk spreads demanded by lenders would make it more expensive for the company to finance its investments and, in turn, would reduce net returns therein. Increases in interest rates could also make it more difficult for the company to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the company may not be able to access those markets on attractive terms, or at all, when completing an investment. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the company.

Foreign Currency Fluctuation

All of the company's portfolio investments have been and will be made in Africa and in African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa, and the financial position and results for certain investments are denominated in currencies other than the United States dollar. The company's functional and reporting currency is the United States dollar. Changes in the fair value of such African Investments will be translated at average rates of exchange in effect during the applicable reporting period. Assets and liabilities will be translated at the exchange rates in effect at the balance sheet date. As a result, the company's consolidated financial position is subject to foreign currency fluctuation risk, which could materially adversely impact its operating results and cash flows. Although the company may enter into currency hedging arrangements in respect of its foreign currency cash flows, there can be no assurance that the company will do so or, if they do, that the full amount of the foreign currency exposure will be hedged at any time.

Investments May Be Made in Foreign Private Businesses Where Information Is Unreliable or Unavailable

In pursuing the company's investment strategy, the company may seek to make one or more investments in privately-held African businesses as disclosed in note 6 (African Investments) to the consolidated financial statements for the year ended December 31, 2020. As minimal public information exists about private African businesses, the company could be required to make investment decisions on whether to pursue a potential investment in a private business on the basis of limited information, which may result in an investment in a business that is not as profitable as the company initially suspected, if at all.

Investments in private African businesses pose certain incremental risks as compared to investments in public businesses, including that they:

- have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress;
- may have limited financial resources and may be unable to meet their obligations under their debt securities that the company may hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the company realizing any guarantees that it may have obtained in connection with its investment;
- may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a portfolio investment and, as a result, the company; and
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

Significant Ownership by Fairfax and Principal Holdco May Adversely Affect the Market Price of the Subordinate Voting Shares

As of March 5, 2021, Fairfax and its affiliates hold a 53.3% and 32.3% voting and equity interest, respectively, in the company through ownership of 30,000,000 issued and outstanding multiple voting shares and 5,279,489 subordinate voting shares.

As of March 5, 2021, Principal Holdco and its affiliates hold a 45.9% and 45.9% voting and equity interest, respectively, in the company through ownership of 25,452,865 issued and outstanding multiple voting shares and 24,632,413 subordinate voting shares.

For so long as Fairfax and Principal Holdco, respectively, either directly or through one or more subsidiaries and affiliates, maintain a significant voting interest in the company, Fairfax and Principal Holdco, as applicable, will have the ability to exercise substantial influence with respect to the company's affairs and significantly affect the outcome of shareholder votes, and may have the ability to prevent certain fundamental transactions.

Accordingly, the subordinate voting shares may be less liquid and trade at a relative discount compared to such subordinate voting shares in circumstances where Fairfax and Principal Holdco did not have the ability to significantly influence or determine matters affecting the company. Additionally, Fairfax's and Principal Holdco's respective significant voting interests in the company may discourage transactions involving a change of control of the company, including transactions in which an investor, as a holder of subordinate voting shares, might otherwise receive a premium for its subordinate voting shares over the then-current market price.

Emerging Markets

The company's investment objective is to achieve long term capital appreciation, while preserving capital, by investing in African Investments. Foreign investment risk is particularly high given that the company invests in securities of issuers based in or doing business in emerging market countries.

The economies of emerging market countries have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of emerging market countries may also be predominantly

based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other investment-related costs may be more expensive in emerging markets than in many developed markets, which could reduce the company's income from securities or debt instruments of emerging market country issuers.

Certain African countries still have some form of exchange control regulation that can lead to additional costs, delays and/or restrictions/requirements on the repatriation of profits for the company. There is a heightened possibility of imposition of withholding taxes on interest or dividend income generated from emerging market securities. In this regard, certain African countries seek to impose tax on the sale of shares of companies that are resident in their jurisdiction. Furthermore, there are legislative developments in certain jurisdictions aimed to allow for tax in the event of an indirect disposal or change of control. It is also possible that certain African revenue authorities will apply a withholding tax in breach of the relevant tax treaty and the company may be unable to reclaim this undue tax in the form of a tax credit. Governments of emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. In the past, emerging market countries have nationalized assets, companies and even entire sectors, including the assets of foreign investors, with inadequate or no compensation to the prior owners. Certain governments in African countries may also restrict or control the ability of foreign investors to invest in securities by varying degrees. These restrictions and controls may limit or preclude foreign investment, require governmental approval, special licences, impose certain costs and expenses, and/or limit the amount of foreign investment, or limit such investment to certain classes of securities that may be less advantageous than the classes available for purchase by domestic investors. There can be no assurance that the company will not suffer a loss of any or all of its investments or, interest or dividends thereon, due to adverse fiscal or other policy changes in emerging market countries.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Crime, corruption and fraud in certain African countries, as well as ties between government, agencies or officials and the private sector, have resulted, and could in the future result, in preferential treatment for local competitors, inefficient resource allocation, arbitrary decisions and other practices or policies. Accordingly, government actions could have a significant effect on economic conditions in an emerging country and on market conditions, prices and yields of securities in the company's portfolio.

Bankruptcy law and creditor reorganization processes in the African countries in which the company may invest may differ substantially from those in Canada, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain emerging market countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. In addition, it may be impossible to seek legal redress against an issuer that is a sovereign state.

Also, because publicly traded debt instruments of emerging market issuers represent a relatively recent innovation in the world debt markets, there is little historical data or related market experience concerning the attributes of such instruments under all economic, market and political conditions.

Other heightened risks associated with emerging markets investments include without limitation: (i) risks due to less social, political and economic stability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies and other factors which may restrict the company's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests and requirements that government approval be obtained prior to investment by foreign persons; (iv) certain national policies that may restrict the company's repatriation of investment income, capital or the proceeds of sales of securities, including temporary restrictions on foreign capital remittances and shortages of foreign currency; (v) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in Canada; (vi) less publicly available financial and other information regarding issuers; (vii) potential difficulties in enforcing contractual obligations; (viii) higher rates of inflation, higher interest rates and other economic concerns; and (ix) less development and/or obsolescence in banking systems and practices, postal systems, communications and information technology and transportation networks. The company may invest to a substantial extent in emerging market securities that are denominated in currencies other than the United States dollar, subjecting the company to a greater degree of foreign currency risk. Also, investing in emerging market countries may entail purchases of securities of issuers that are insolvent, bankrupt or otherwise of questionable ability to satisfy their payment obligations as they become due, subjecting the company to a greater amount of credit risk and/or high yield risk. Additionally, the demand for securities of the company may be more volatile due to general market volatility in demand for investments in emerging markets.

As reflected in the above discussion, investments in emerging market securities involve a greater degree of risk than, and special risks in addition to the risks associated with, investments in domestic securities or in securities of foreign developed countries.

South African Black Economic Empowerment

As a company that has invested, and will seek to complete further investment, in South Africa, the entities in which the company has and may invest could be required to comply with the South African government's policy and legal framework relating to black economic empowerment in respect of any South African investments. Black economic empowerment is governed generally by the Broad-Based Black Economic Empowerment Act of 2003 and the Codes of Good Practice, promulgated under that Act. The relevant South African entities will be required to comply with local procurement, employment equity, ownership and other regulations which are designated to address social and economic transformation issues, redress social and economic inequalities and ensure socio-economic stability from time to time. Compliance with the said legislation and policies, including the need to meet minimum equity ownership targets depending on the sector of the proposed investment, may result in the dilution of the company's indirect interest in its South African investments whilst non-compliance with the said legislation and policies may result in financial penalties, the loss of key customer contacts with state owned entities and parastatals or the suspension or revocation of any underlying licenses that the relevant entity requires in order to conduct its business which, in either case, could have an adverse effect on the company's business, financial condition and results of operations.

Economic Risk

The economies of certain African countries have grown rapidly during the past several years and there is no assurance that this growth rate will be maintained. Certain countries in Africa may experience substantial (and, in some cases, extremely high) rates of inflation or economic recessions causing a negative effect on such economies. Certain countries in Africa may also impose restrictions on the exchange or export of currency, institute adverse currency exchange rates or experience a lack of available currency hedging instruments. Any of these events could have a material adverse effect on their respective economies.

Weather Risk

Certain African Investments are operating in industries exposed to weather risk. The revenues of these portfolio companies may be adversely affected during a period of severe weather conditions in Africa. Because weather events are by their nature unpredictable, historical results of operations of certain African Investments may not be indicative of their future results of operations. As a result of the occurrence of one or more major weather catastrophes in any given period, the expected returns from African Investments impacted by weather risk may fall short of the company's expectations.

Taxation Risks

The company structures its business according to prevailing taxation law and practice in Canada, Mauritius and South Africa. Any change in tax policy, tax legislation (including in relation to taxation rates), the interpretation of tax policy or legislation or practice could adversely affect the company's return earned on investments and on the capital available to be invested. Further, taxes and other constraints that would apply to the company and its consolidated subsidiaries in such jurisdictions may not apply to other parties, and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing investments. A number of other factors may increase the effective tax rates, which would have a negative impact on net earnings. These include, but are not limited to, changes in the valuation of our deferred tax assets and liabilities, and any reassessment of taxes by a taxation authority. The company engages specialist tax personnel responsible for assessing the income tax consequences of planned transactions and events, and undertaking the appropriate tax planning. The company also consults with external tax professionals as needed. Tax legislation of each jurisdiction in which the company operates is interpreted to determine income taxes and expected timing of the reversal of deferred income tax assets and liabilities.

Tax Laws in Mauritius and South Africa

In February 2013 the South African Minister of Finance, when tabling the 2013/14 Budget, announced that the South African Government will initiate a tax review ''to assess our tax policy framework and its role in supporting the objectives of inclusive growth, employment, development and fiscal sustainability''. The committee set up to conduct the review is known as The Davis Tax Committee (''DTC''). The terms of reference of the DTC (the ''Terms of Reference'') are to inquire into the

role of the tax system in the promotion of inclusive economic growth, employment creation, development and fiscal sustainability. Aspects that are to receive specific attention from the DTC include a review of the corporate tax system, whether the current mining tax regime is appropriate and the efficiency and effectiveness of the VAT system (sub committees have been set up to deal with specific items in the terms of reference). The DTC will make recommendations to the Minister of Finance and any tax proposals arising from these recommendations will be announced as part of the usual budget and legislative processes. In April 2018 the DTC announced its conclusion based on the Terms of Reference. It is important to note that in the Terms of Reference, ''the Committee is advisory in nature, and will make recommendations to the Minister of Finance. The Minister will take into account the report and recommendations and will make any appropriate announcements as part of the normal budget and legislative processes. As with all tax policy proposals, these will be subject to the normal consultative processes and Parliamentary oversight once announced by the Minister.'' During the 2020 National Budget Speech, the Minister confirmed that the DTC had been re-established to focus on combatting tax leakages, customs fraud and trade mispricing. Accordingly, it is possible that SA Sub and its investments in South Africa could become subject to taxation outlined in the reports that is not currently anticipated, or it may become subject to a higher rate of taxation, which could have a materially adverse effect on its business, financial condition and results of operations in South Africa.

Changes in Law

The Republic of Mauritius or South African legal framework under which Mauritius Sub and SA Sub, respectively, invest in Africa may undergo changes in the future, which could impose additional costs or burdens on the Company's operations. Future changes to Mauritian or South African law, or the relevant tax treaties, or the interpretations given to them by regulatory or tax authorities, could impose additional costs or obligations on Mauritius Sub's and SA Sub's activities in Mauritius or South Africa. Significant adverse tax consequences could result if Mauritius Sub or SA Sub do not qualify for benefits under the relevant tax treaties. There can be no assurance that Mauritius Sub or SA Sub will continue to qualify for or receive the benefits of the relevant tax treaties or that the terms of the relevant tax treaties will not be modified. It is possible that provisions of the relevant tax treaties will be overridden by local legislation in a way that materially adversely affects the Company, Mauritius Sub and SA Sub. Further, there can be no assurance that changes in the law or government policies of Mauritius or South Africa that may limit or eliminate a non-Mauritian or non-South African investor's ability to make investments into other countries in Africa via Mauritius or South Africa will not occur.

MLI

It is possible that changes in applicable tax treaties in connection with Base Erosion and Profit Shifting (''BEPS'') could result in a loss of benefits or taxation that is not currently anticipated. Under a mandate given by G20 nations to address global tax avoidance, in 2015, the Organization for Economic Co-operation and Development (''OECD'') developed 15 action plans aimed at tackling BEPS strategies. Action Plan 15 of the BEPS project envisaged a multilateral instrument (''MLI'') for modifying the global tax treaty network in a timely and synchronized manner. Mauritius and Canada (along with 92 other jurisdictions as of February 28, 2020) are signatories to the MLI, and deposited their instruments of ratification with the OECD in 2019. South Africa is also a signatory to the MLI, but has not yet deposited its instrument of ratification with the OECD. During the 2021 National Budget Speech, the South African Minister of Finance announced that the MLI will be ratified as soon as possible; however, no commitment was made on the timing of such ratification.

Trading Price of Subordinate Voting Shares Relative to Book Value per Share

The company is neither a mutual fund nor an investment fund, and due to the nature of its business and investment strategy, and the composition of its investment portfolio, the market price of the subordinate voting shares, at any time, may vary significantly from its book value per share. This risk is separate and distinct from the risk that the market price of the subordinate voting shares may decrease.

Other

Quarterly Data (unaudited)

Years ended December 31

US$ thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter[(1)]	Fourth Quarter	Full Year
2020					
Income (loss)	(115,683)	503	(43,512)	(14,341)	(173,033)
Expenses	2,320	2,809	15,656	10,151	30,936
Provision for (recovery of) income taxes	3,801	1,880	(795)	(2,209)	2,677
Net loss	(121,804)	(4,186)	(58,373)	(22,283)	(206,646)
Net loss per share (basic)	$ (2.05)	$ (0.07)	$ (0.99)	$ (0.31)	$ (3.31)
Net loss per share (diluted)	$ (2.05)	$ (0.07)	$ (0.99)	$ (0.31)	$ (3.31)
2019					
Income (loss)	(18,117)	(10,767)	(28,689)	11,331	(46,242)
Expenses	3,639	2,432	2,408	2,747	11,226
Provision for (recovery of) income taxes	(276)	3,030	1,159	(182)	3,731
Net earnings (loss)	(21,480)	(16,229)	(32,256)	8,766	(61,199)
Net earnings (loss) per share (basic)	$ (0.35)	$ (0.27)	$ (0.54)	$ 0.15	$ (1.01)
Net earnings (loss) per share (diluted)	$ (0.35)	$ (0.27)	$ (0.54)	$ 0.15	$ (1.01)

(1) Loss and net loss for the third quarter of 2020 were revised for the impact of reclassifying $8,855 in unrealized gains to contributed surplus, reflecting the difference at initial recognition on July 10, 2020 between fair value and the transaction price on the Atlas Mara Forward Derivative ($6,056) and the Atlas Mara Facility Guarantee ($2,799). Net loss per share (basic and diluted) were revised accordingly. The above revisions for the third quarter of 2020 did not impact book value per share. Refer to note 9 (Common Shareholders' Equity) to the consolidated financial statements for the year ended December 31, 2020 for details.

Income (loss) is composed of net change in net realized gains (losses) on investments, net change in unrealized gains (losses) on investments, net foreign exchange gains (losses), interest income, and dividend income. Net loss in the fourth quarter of 2020 was primarily due to net realized losses on African Investments (sale of Atlas Mara common shares, write-down of CIG common shares, the PGR2 Loan, Atlas Mara Warrants and Nova Pioneer Warrants), Helios Transaction expenses and general and administration expenses, partially offset by net change in unrealized gains on investments principally related to the reversal of prior period unrealized losses on investments and net foreign exchange gains, the timing of which are not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's African Investments which result in higher performance fees, if applicable, and investment and advisory fees.

Stock Prices and Share Information

At March 5, 2021 the company had 53,665,388 subordinate voting shares and 55,452,865 multiple voting shares outstanding (an aggregate of 109,118,253 common shares effectively outstanding). 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. The company's subordinate voting shares trade on the TSX under the symbol HFPC.U. In December 2020, following completion of the Transaction, the TSX ticker for the company's subordinate voting shares was changed from FAH.U to HFPC.U. 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. Fairfax and the Helios Holdings Group, through their respective subsidiaries and affiliates, own all the issued and outstanding multiple voting shares, which are not publicly traded.

The table that follows presents the TSX high, low and closing U.S. dollar prices of the subordinate voting shares of HFP, trading under the symbol HFPC.U, for each quarter of 2020 and 2019.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(US$)		
2020				
High	6.33	4.00	4.01	6.27
Low	2.36	2.50	2.91	3.00
Close	3.20	3.00	3.02	5.25
2019				
High	9.88	9.58	8.23	6.87
Low	7.74	7.63	6.59	5.70
Close	8.36	7.86	6.71	5.91

Compliance with Corporate Governance Rules

HFP is a Canadian reporting issuer with securities listed on the TSX and trading in U.S. dollars under the symbol HFPC.U. In December 2020, following completion of the Transaction, the TSX ticker for the company's subordinate voting shares was changed from FAH.U to HFPC.U. It has in place corporate governance practices that comply with all applicable rules and substantially comply with all applicable guidelines and policies of the Canadian Securities Administrators and the practices set out therein.

The company's Board of Directors has adopted a set of Corporate Governance Guidelines (which include a written mandate of the Board), established an Audit Committee and Governance, Compensation and Nominating Committee, approved written charters for all of its committees, approved a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the company and established, in conjunction with the Audit Committee, a Whistleblower Policy. The company continues to monitor developments in the area of corporate governance as well as its own procedures.

Forward-Looking Statements

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

Forward-looking statements are based on our opinions and estimates as of the date of this annual report and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors that are described in greater detail elsewhere in this annual report: the COVID-19 pandemic; geographic concentration of investments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; operating and financial risks of African investments; valuation methodologies involve subjective judgments; lawsuits; use of leverage; foreign currency fluctuation; investments may be made in foreign private businesses where information is unreliable or unavailable; significant ownership by Fairfax and Principal Holdco may adversely affect the market price of the subordinate voting shares; emerging markets; South African black economic empowerment; economic risk; weather risk; taxation risks; MLI; and trading price of subordinate voting shares relative to book value per share. Additional risks and uncertainties are described in the company's annual information form 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.

Directors of the company

Ken Costa
Partner and Co-Chairman
Alvarium Investments
Chairman of the company (as of Mar. 2021)

Christopher D. Hodgson
President
Ontario Mining Association

Lieutenant-General (ret.) Roméo Dallaire
Founder
Roméo Dallaire Child Soldiers Initiative

Tope Lawani
Co-Founder and Managing Partner
Helios Investment Partners LLP
Co-Chief Executive Officer of the company (as of Dec. 2020)

Quinn McLean
Managing Director, Middle East and Africa
Hamblin Watsa Investment Counsel

Ndidi Okonkwo Nwuneli
Managing Partner
Sahel Consulting Agriculture and Nutrition Ltd.

Richard Okello
Co-Founder and Partner
Sango Capital Management

Babatunde Soyoye
Co-Founder and Managing Partner
Helios Investment Partners LLP
Co-Chief Executive Officer of the company (as of Dec. 2020)

Michael Wilkerson
Executive Vice Chairman of the company (as of Dec. 2020)

Operating Management

HFP South Africa Investments Proprietary Limited

HFP Investments Limited

Dylan Buttrick
Managing Director, South Africa and Mauritius

Officers of the company

Ken Costa
Chairman (as of Mar. 2021)

Keir Hunt
General Counsel and Corporate Secretary

Tope Lawani
Co-Chief Executive Officer (as of Dec. 2020)

Amy Sherk
Chief Financial Officer

Babatunde Soyoye
Co-Chief Executive Officer (as of Dec. 2020)

Michael Wilkerson
Executive Vice Chairman (as of Dec. 2020)

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Website: www.heliosfairfax.com

Auditor

PricewaterhouseCoopers LLP

Transfer Agent and Registrar

Computershare Trust Company of Canada, Toronto

Share Listing
Toronto Stock Exchange
Stock Symbol: HFPC.U

Annual Meeting
The annual meeting of the shareholders of
Helios Fairfax Partners Corporation will be held on
Wednesday April 14, 2021 at 2:30 p.m. (Toronto time)
as a virtual conference call