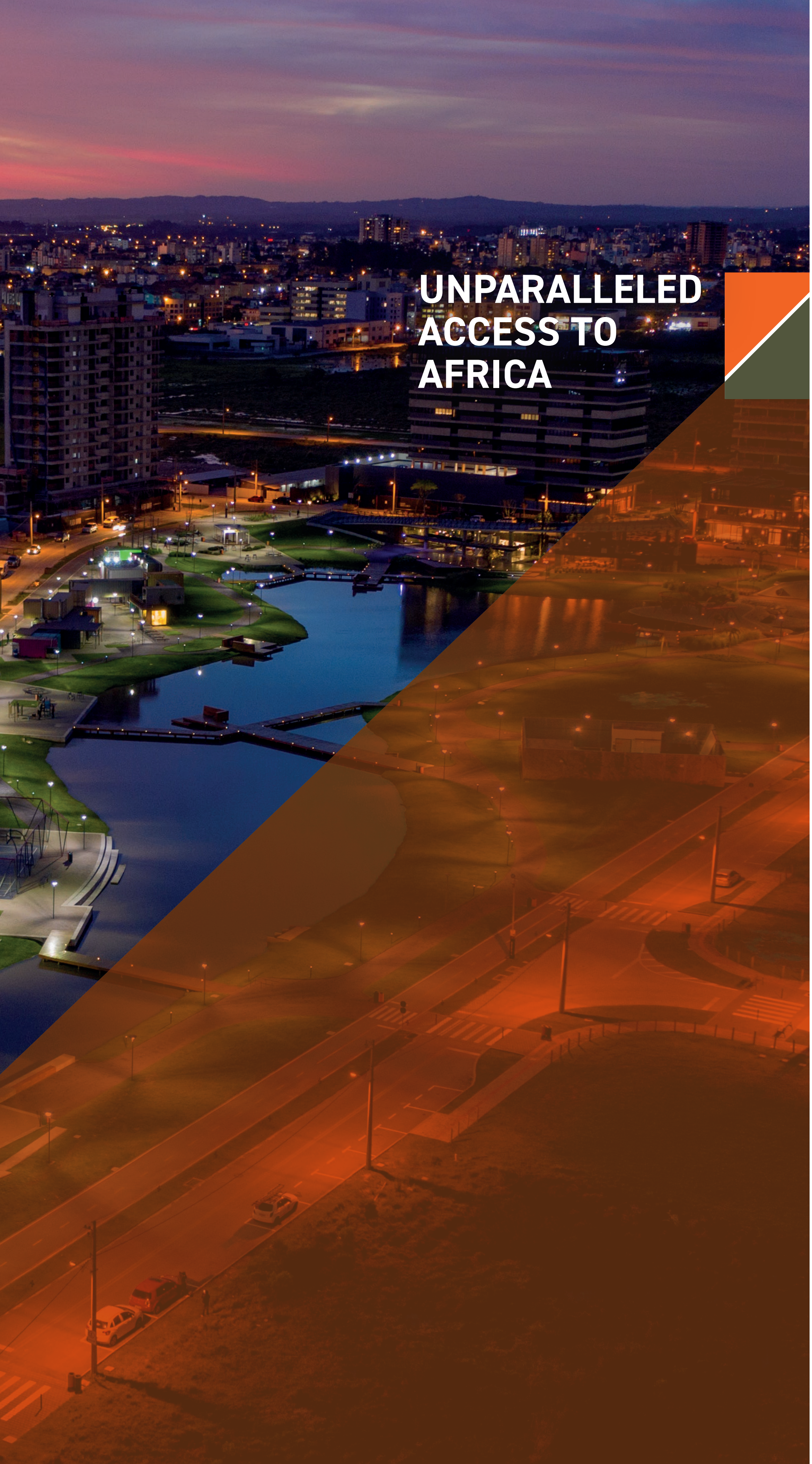


UNPARALLELED ACCESS TO AFRICA

HELIOS FAIRFAX PARTNERS


ON BEACH

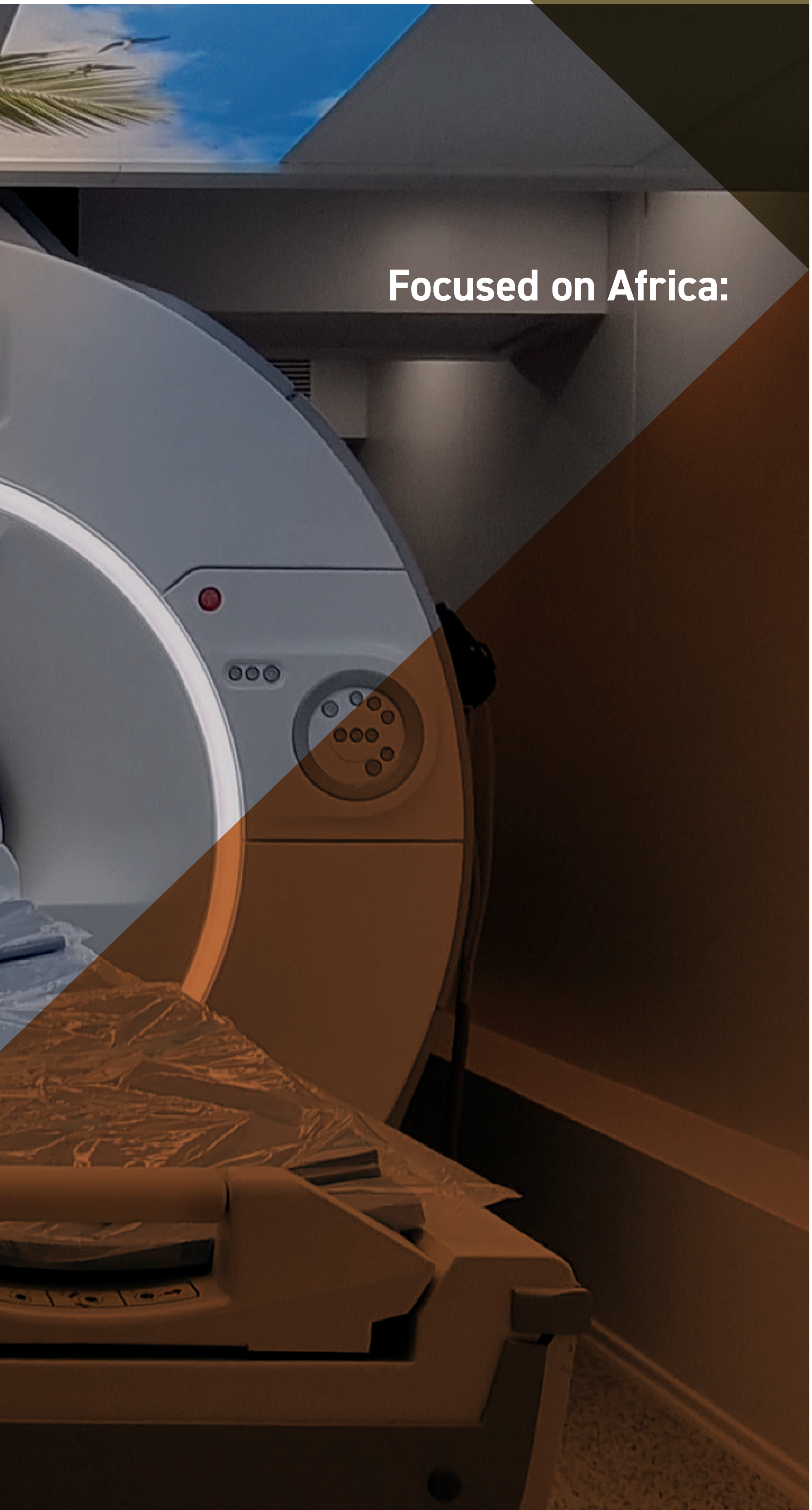
ABOUT HELIOS FAIRFAX PARTNERS

Helios Fairfax Partners ("HFP") is an alternative investment company focused on the high-growth African market.

Our vision is to harness the wealth of investment opportunities in Africa to generate both globally competitive returns and real socio-economic impact by combining world class investment capabilities with an unparalleled mix of local and global connectivity.

CONTRIBUTING TO THE SOCIO-ECONOMIC DEVELOPMENT OF AFRICA.

Focused on Africa: Our Purpose



We are passionate about Africa and its people. We want to contribute to the socio-economic development of the continent and have a positive impact on the lives of African people. Through Helios Investment Partners ("Helios")*, we work with entrepreneurs, management teams and investors with a view to building profitable, value-creating and responsible businesses that deliver sustainable development and real impact.

*HFA TopCo LP, through its sub-advisor, Helios Investment Partners LLP, provides investment management services, investment advisory services and investment administration services to HFP and its subsidiaries.

Focused on Africa: Demographics & Urbanization

Investing in African businesses means investing in the future. The continent presents a wealth of exciting investment opportunities, driven by strong demographic tailwinds and rapid urbanization.

With populations in the developed and much of the developing world aging rapidly, the youthfulness and growth of Africa's population makes the continent critical to sustaining the global labour force. Over the next 30 years, almost 70% of the growth in the total global workforce is expected to come from Africa.

Not only is Africa's population growing (by 2050, a quarter of the world's population will live on the continent), Africa is also the world's fastest urbanizing region. Urbanization is bringing with it increases in productivity and broad structural changes in consumption patterns which, combined with the growth in the absolute population, creates powerful tailwinds for industries such as consumer packaged goods, retail, distribution and logistics, healthcare, real estate and sports and entertainment.

70%
OF THE GROWTH IN THE TOTAL GLOBAL WORKFORCE WILL COME FROM AFRICA OVER THE NEXT 30 YEARS

Projected increase in urban population (2020-2050)

174%	SUB-SAHARAN AFRICA
27%	NORTH AMERICA
8%	EUROPE

Median age of population in 2021

19	AFRICA
38	REST OF THE WORLD
42	EUROPE

Technology & Innovation

A critical mass of young, urban and digitally savvy Africans is catalyzing powerful innovation ecosystems. The growing reliance on African talent to address global labour imbalances is seen, for example, in increasing commitments by the largest global technology firms to establishing software development centres on the continent. It is also highly visible in the strength and resilience of remittance payments sent home by African overseas workers.

In much the same way that the under-developed state of the continent's fixed line infrastructure permitted an extremely rapid take-up of mobile telephony, more recent technological innovations are generating leapfrogging opportunities across numerous sectors of the economy. These innovations are enabling new business models that succeed by reducing the cost of providing essential goods and services, rendering them more affordable and, as a result, significantly increasing the addressable markets. This gives rise to exciting investible opportunities in financial technology, e-commerce, clean energy and energy access.

Population in Sub-Saharan Africa that live with broadband coverage

50%	**2014**
83%	**2021**

Number of tech hubs in Africa

70	**2012**
1031	**2021**

Unparalleled Access

We believe that HFP's investment mandate provides a unique means of accessing these exciting African investment opportunities. The continent's public equity markets understate the areas of economic strength we have identified in private markets which align with our investment strategy. As such, we anticipate that alternative investment asset classes such as private equity, venture capital, private credit and hedge funds present the most attractive means of gaining exposure to these exciting opportunities.

Investments in new strategies

$95mm

Companies invested in

10

Countries invested in

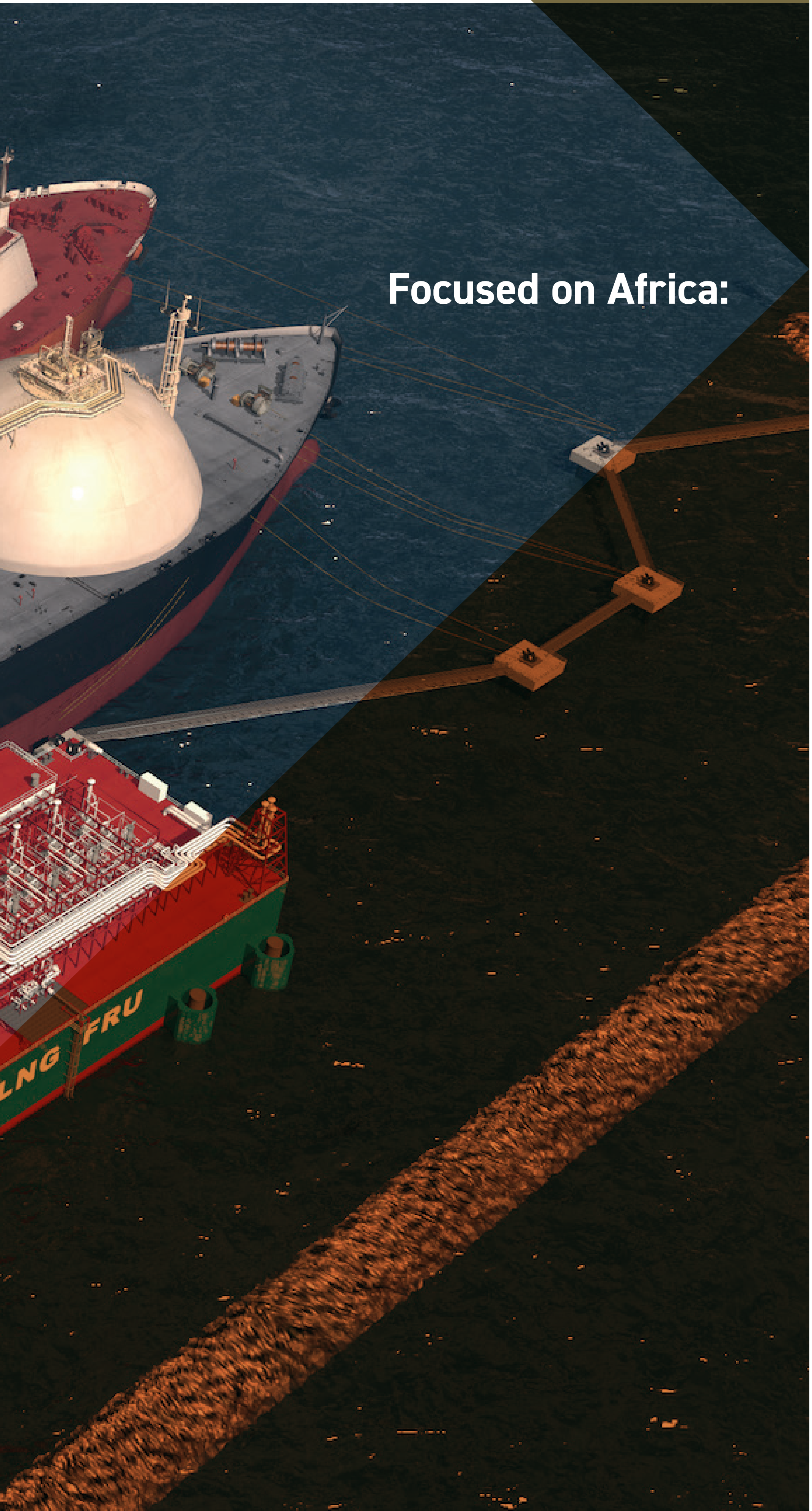
25

Portfolio Investments

$442mm

Cash and Cash Equivalents

$125mm



Focused on Africa: Helios Investment Partners

Founded in 2004, Helios Investment Partners is the leading provider of private equity to African businesses and is the investment advisor to Helios Fairfax Partners. With a team of 38 investment professionals, Helios has extensive experience and market-leading capability in developing alternative fund strategies and attracting global private capital to capture the wealth of opportunities in Africa. In its 19-year history, Helios has deployed $3.5 billion of capital across 34 investments in over 30 countries in Africa.

Helio Fund AUM

$3.0b

Helios Offices

Lagos, Nairobi, London, Paris

CREATING VALUE

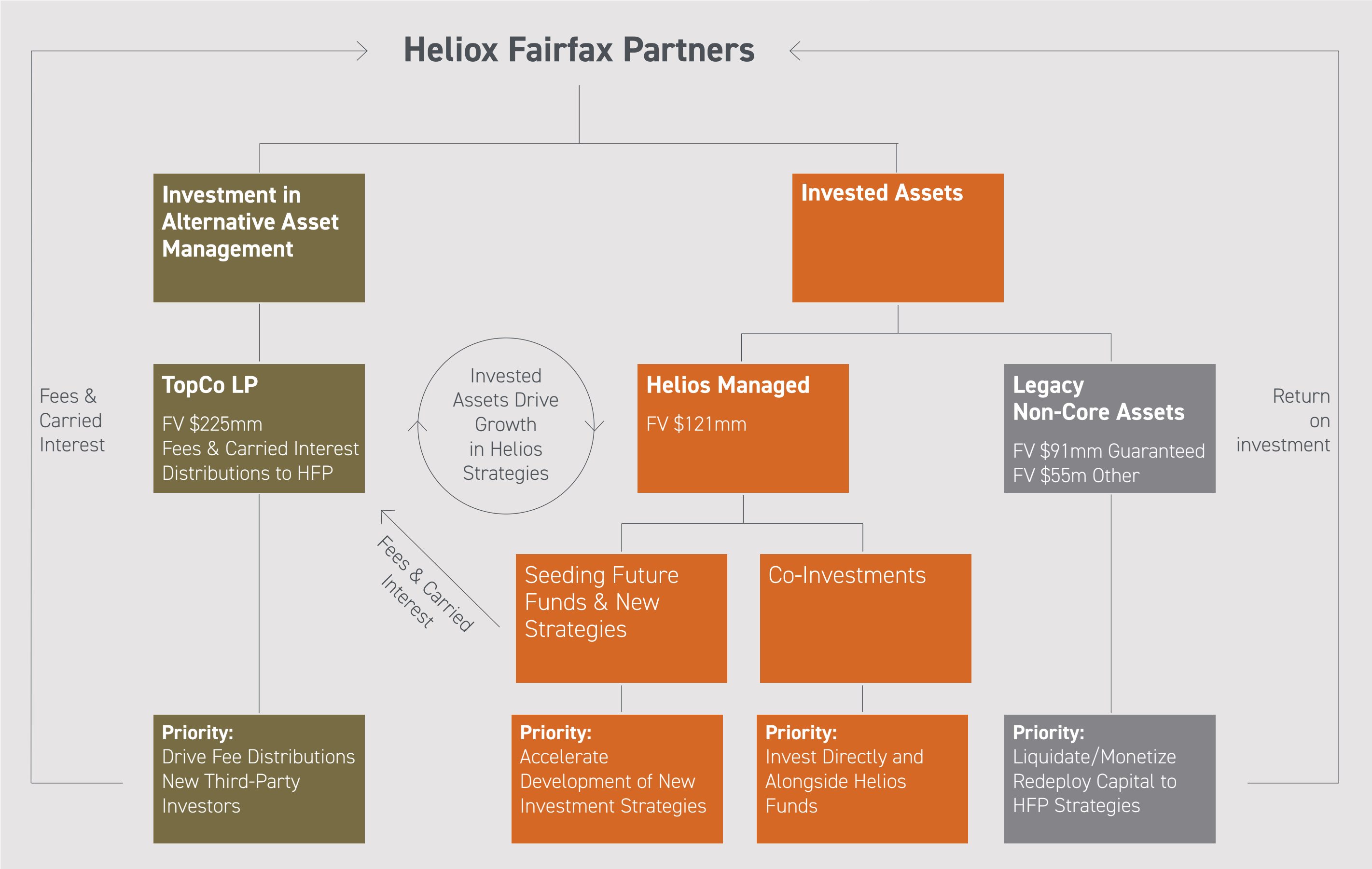
The investment in TopCo LP is HFP's long-term value driver. In 2022, it paid $13.8 million in returns and distributions to HFP reflecting excess management fees and carried interest generated by Helios.

Performance and growth of Helios' managed assets drive distributions from excess management fees and carried interest. This compounds the growth in capital for HFP to reinvest and pay dividends.

Since launching our new strategy in December 2020, HFP has deployed $95 million of capital: $54 million into investments to accelerate the formation of new Helios-sponsored funds and $41 million in co-investments with existing Helios funds.

The fair value of these investments has increased to $115 million or 21% as at December 31, 2022.

We intend to monetize the remainder of our legacy non-core investments to support HFP's strategy.



OUR STRATEGY IS TO CREATE VALUE BY:

1.
Making investments that drive TopCo LP's management fees and carried interest.

The company seeks to create value by making investments ("Seeding Investments") that drive TopCo LP's excess management fee and carried interest fee streams arising from Helios' third-party alternative asset management business. Seeding Investments will be focused on entities structured to receive and deploy capital from third-party limited partners or investors, in strategies that we believe to be most closely geared to the engines of growth in Africa. For example, HFP's investments in NBA Africa and Event Horizon are intended to seed a strategy of investing in the sports and entertainment sector to be contained in the newly formed Helios Sports Entertainment Group and the investment into Helios Digital Ventures is intended to seed a strategy of investing in Africa's venture capital. HFP also envisions seeding strategies in an equity hedge fund ("Helios Seven Rivers Fund" or "HSRF"), in a climate-focused private equity strategy ("Climate, Energy Access & Resilience" or "Helios CLEAR") and an energy transition infrastructure strategy ("Helios Energy Transition Infrastructure" or "HETI") in the future.

2.
Deploying our balance sheet to make investments arising from Helios' investment strategies.

The company also seeks to create value by investing its balance sheet capital in opportunities arising from Helios' investment strategies in private equity and new investment strategies ("Helios Co-Investments"). Balance sheet capital that is not deployed in seeding strategic initiatives will be invested alongside the Helios funds, which we believe will ensure that HFP's capital is exposed to the best ideas Helios' market-leading investment team identify. And, importantly, this further aligns our interests with those of the third-party investors in the Helios funds. HFP's Helios Co-Investments will generally be structured as limited partner positions in Helios funds (with no additional management or incentive fees being charged), or as direct investments into special purpose vehicles through which Helios funds have structured their investment in the ultimate investee.

A LETTER FROM THE CO-CEOS

Fellow shareholders,

Since the appointment of Helios as our investment manager in December 2020, we have been focused on reshaping our business and our investment assets to align with our stated strategy. We have made investments that drive the growth of excess management fees and carried interest proceeds arising from Helios' third-party alternative asset management business. In addition, we have deployed capital alongside Helios funds to gain exposure to their market-leading team's best ideas. We are pleased to report that we have made excellent progress and continue to strengthen our position as the premier conduit between global capital and African businesses. We are well-positioned to generate globally competitive returns, even in this unsettled global market and geopolitical environment.

We have exited, restructured or otherwise stabilized the legacy non-core investment portfolio and we are well on track to complete the full exit of these assets in an expeditious but orderly manner. Despite last year's adverse market conditions, we were able to realize $57.8 million from our legacy investments in Atlas Mara. That was due largely to the efforts of the Helios team. To illustrate the depth of their capabilities, the Helios funds were successful in generating $855 million of liquidity from their exits in 2022, a remarkable accomplishment given the prevailing market conditions. Subsequent to the year end, we realized $16.4 million from the full repayment of the CIG Loan.

Furthermore, in the year, we received $13.8 million relating to Helios management fees and carried interest and $9.8 million return of capital from Helios Fund IV. As HFP and Helios deploy assets towards new funds and seeding new strategies, we believe distributions from management fees and carried interest can grow meaningfully. In aggregate, the Helios funds from which TopCo LP is entitled to a share of excess management fees and carried interest are now managing over $3.0 billion of third-party capital.

As part of our strategic effort to invest in growing the excess management fees and carried interest proceeds arising from Helios' third-party alternative asset management business, we established two new investment positions that we anticipate will develop into vehicles suitable for third-party capital.

The first, Event Horizon Entertainment, will sit alongside our earlier investment in NBA Africa as the initial investments in a new sports and entertainment investment strategy expected to be named Helios Sports & Entertainment Group. Event Horizon is a leading live music company, creating and producing global events, with a focus on African genres. HFP's investment in Event Horizon is initially structured as a $9.4 million loan.

The second investment, Helios Digital Ventures, represents the formation of a new venture capital investment strategy, aligned to the explosive growth in digital innovation across Africa. Our investment is structured as a $40 million credit facility, the proceeds of which will be invested in early-stage technology-driven businesses in thematic areas such as financial services, food security, healthcare, human capital and sustainability. To date, Helios Digital Ventures has invested in Paymob, a merchant acquirer offering a diversified product suite of payment solutions in Egypt, and in Nomba, a provider of financial services including cash in/cash out, funds transfers and bill payments through digital and physical channels designed to make fintech services accessible and affordable for all Africans.

We are also pleased with the performance of our investments in and alongside the Helios funds: to date, we have deployed $24.8 million towards Helios Fund IV, which has increased in value by 36.1% ($9 million) as a result of strong performance of the underlying investee companies.

Turning to 2023, HFP's strategy is unchanged, and we are seeing many exciting opportunities to create long-term value. With respect to Helios and our investment in TopCo LP, we expect Helios' fund-raising efforts to accelerate as new fund strategies are seeded and launched. The HFP balance sheet will continue to be deployed towards investments that fit within our mandate and we will continue to partner with Helios as a leading private investment firm focused on Africa. Finally, having achieved our goal of stabilizing the legacy non-core investment portfolio, by the end of this year we aim to complete the monetization of these assets.

We would like to extend a sincere thank you to all our investors and partners for their continued support. We are embarking on an exciting journey, and we are more confident than ever that we will see the long-term rewards through investment returns and social impact.

INVESTMENT SELECTION

We apply selection criteria proven to generate growth with resilience. We apply selection criteria proven to generate growth with resilience. While specific investment criteria will differ among the various strategies, HFP targets investments with the following characteristics:

- **Benefitting from secular rather than cyclical growth**
- **Achieving growth rates meaningfully higher than GDP**
- **Capital light or, where capital intensive, having a high degree of revenue visibility**
- **Maintaining a high degree of control over their own value/ supply chains, with few third-party operational dependencies;**
- **Having minimal daily interaction with public sector entities (for example, as customers or suppliers); and**
- **Pursuing business strategies that are consistent with global climate targets and objectives.**

Q&A WITH HFP CO-CEOS, TOPE LAWANI AND BABATUNDE SOYOYE

Digital Infrastructure

"Digital infrastructure lies at the core of the dual long-term secular trends of demographics/urbanisation and technology/innovation that we believe will power economic growth in Africa over the coming decades. HFP has invested in Helios Fund IV, which, in turn, has invested in IXAfrica, a leading developer and operator of hyperscale-ready data centres in Kenya, and is acquiring MDC, a carrier-neutral data centre in Morocco. The need for lower-cost, lower latency data delivery has never been greater in Africa; both the Moroccan and Kenyan platforms are expected to be leaders in addressing this need in their respective markets."

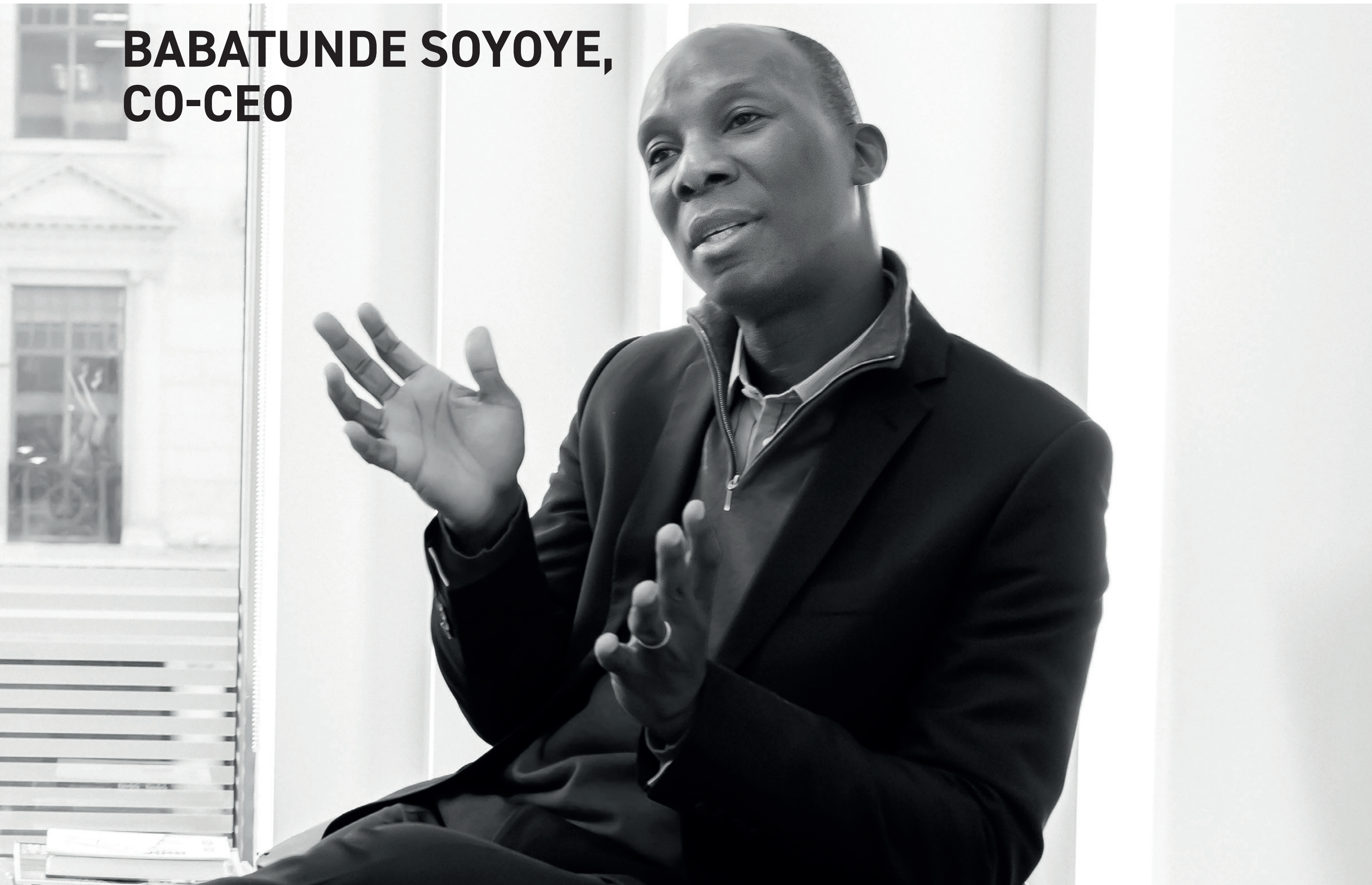
Tope Lawani, Co-CEO HFP

Helios Digital Ventures

"We see a tremendous opportunity for investing in digital innovation in Africa, underpinned by the intersection of entrepreneurship and a young, urbanizing population that is highly digitally engaged. HFP is extremely well-positioned to capitalize on digital innovation through the investment in Helios Digital Ventures which has deployed capital in companies like Paymob and Nomba. Paymob is an infrastructure technology enabler providing payment solutions that empower the masses to get access to finance across Africa. Nomba, with distinct point of sale (POS) technology, partnerships with banks and other licensed financial institutions is democratising access to banking products and services for merchants across Nigeria."

Babatunde Soyoye, Co-CEO HFP

BABATUNDE SOYOYE, CO-CEO



TOPE LAWANI, CO-CEO

Q.
Can you outline the progress you have made with the legacy non-core assets?

These non-core assets are legacy investments from the Fairfax Africa portfolio. One of our goals in 2022 was to complete the stabilization of these assets for an orderly exit. These assets are now on a much more solid foundation, and we have also monetized a significant portion of these holdings. In 2022, we realized $57.8 million from non-core assets representing 38% of the fair value of these investments at the end of the prior year. To date, we have realized $69.1 million from non-core assets.

Certain non-core assets carry portfolio insurance or investment guarantees from Fairfax in the form of a backstop to the valuation. In the case of Atlas Mara, the funds received from the sale of the assets together with the investment guarantee represented a full recovery of our principal investment. Our priority now is to complete the monetization of the remainder of these legacy non-core assets, and we feel we are in a good position to deliver on that in 2023. This will generate liquidity for us to redeploy in strategies which further our investment goals.

Q.
How will you invest your available cash and proceeds from the monetization of your legacy non-core assets?

We see multiple opportunities for private and alternative capital to be deployed in businesses that, despite challenging macro-economic conditions, are positioned to rapidly grow and benefit from strong secular trends such as digitization, urbanization, and extremely favourable demographics. We anticipate investing capital seeding new strategies in sectors such as sports and entertainment, venture capital, climate and energy transition Infrastructure. In addition, we plan to co-Invest alongside the Helios funds in core sectors such as financial services and technology, digital Infrastructure and consumer non-discretionary.

Q.

How has your relationship with Fairfax evolved since the completion of the transaction that established Helios Fairfax Partners?

We have successfully exited the management services agreement with Fairfax there by creating operational independence and have also successfully partnered with the Helios teams. Through Helios, we now have an active investment team of 38 professionals with global and Africa-centric expertise who have well-established local business networks. This puts the company on a much stronger footing for our shareholders and stakeholders. As part of the transaction, Fairfax provided portfolio insurance and investment guarantees in the form of backstops for certain non-core assets in the investment portfolio some of which have been received upon the realization of the related non-core legacy assets. While Fairfax remains a supportive shareholder, HFP is now positioned to advance our investment strategy and operations independently from Fairfax.

EXPERTISE
CONNECTIVITY
CREATIVITY
IMPACT
GROWTH
UNIQUE
AFRICA

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Helios Fairfax Partners Corporation 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	Invest-ments	Common share-holders' equity	Shares out-standing[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)
2021	5.47	3.37	(3,277)	(25,922)	704,392	607,106	591,902	108.3	(0.24)
2022	5.03	2.85	(22,056)	(50,777)	652,612	523,120	544,307	108.2	(0.47)
Compound annual decline	(11.0)%	(19.3)%							

(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.

Index to Management's Discussion and Analysis

Management's Discussion and Analysis
(as of March 22, 2023)
(Figures and amounts are in US$ and $ thousands except share and per share amounts and as otherwise indicated. Figures may not add due to rounding.)

Notes to Management's Discussion and Analysis

(1) The Management's Discussion and Analysis ("MD&A") presents management's view of the financial condition and results of operations of Helios Fairfax Partners Corporation ("HFP" or the "company") as at and for the years ended December 31, 2022 and 2021 and should be read in conjunction with the audited consolidated financial statements and 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) Throughout this MD&A, the term "Portfolio Investments" refers to deployed capital invested in public and private investments as disclosed in note 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022.

Forward-Looking Statements

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

Forward-looking statements are based on our opinions and estimates as of the date of this MD&A and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors that are described in greater detail elsewhere in this annual report: the conflict in Ukraine; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; concentration risk in Portfolio Investments, including with geographic concentration and with respect to Class A and Class B limited partnership interests in the Portfolio Advisor and Helios Fund IV; operating and financial risks of Portfolio Investments; valuation methodologies involve subjective judgments; lawsuits; use of leverage; foreign currency fluctuation; investments may be made in foreign private businesses where information is unreliable or unavailable; significant ownership by Fairfax Financial Holdings Limited ("Fairfax") and HFP Investments Holdings SARL ("Principal Holdco") may adversely affect the market price of the subordinate voting shares; emerging markets; South African black economic empowerment; economic risk; climate change, natural disaster, and weather risks; taxation risks; MLI; and trading price of subordinate voting shares relative to book value per share. Additional risks and uncertainties are described in the company's annual information form dated March 22, 2023 which is available on SEDAR at www.sedar.com and on the company's website at www.heliosfairfax.com. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

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

Specified Financial Measures

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

Business Objectives

Investment Objective

HFP is an investment holding company whose objective is to achieve long-term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in Africa and African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa ("Portfolio Investments"). Generally, subject to compliance with applicable law, the company will make Portfolio Investments with a view to acquiring control or significant influence positions.

The company makes its investments either directly or through one of its wholly-owned subsidiaries, which include a South Africa-based subsidiary HFP South Africa Investments Proprietary Limited ("SA Sub") and a Mauritius-based subsidiary HFP Investments Limited ("Mauritius Sub").

HFA Topco, L.P. ("TopCo LP" or the "Portfolio Advisor") is the portfolio advisor of the company and, through its sub-advisor, Helios Investment Partners LLP ("Helios" or the "Manager"), provides investment management services, investment advisory services and investment administration services to the company. TopCo LP is also the investment vehicle through which HFP receives cash flows from its entitlement to certain Helios fee streams, including excess management fees and carried interest.

Investment Strategy

The company's strategy is two-pronged:

1. *Seeding Investments:*

The company seeks to create value by making investments ("Seeding Investments") that drive the growth of TopCo LP's excess management fee and carried interest fee streams arising from Helios' third-party alternative asset management business. Seeding Investments will be in entities structured to receive and deploy capital from third-party limited partners or investors, in strategies that the Manager believes to be most closely geared to the engines of growth in Africa, namely demographics and urbanization and technology and innovation. As Helios's third-party asset management business grows across complementary strategies, returns and distributions from TopCo LP's excess management fee and carried interest income are expected to increase in scale and predictability. Increasing such proceeds is expected to enhance the overall return on HFP's shareholders' equity. Over the long-term, the company may also seek to make acquisitions of complementary asset management businesses.

In 2022, the company made Seeding Investments in funds or entities associated with two new strategies: in venture capital ("Helios Digital Ventures") and in the sports, media and entertainment sector ("Helios Sports and Entertainment Group" or "HSEG"). In addition, during the course of 2022, the Manager identified and developed additional opportunities for an equity hedge fund ("Helios Seven Rivers Fund" or "HSRF"), a climate-focused private equity strategy ("Climate, Energy Access & Resilience" or "Helios CLEAR") and an energy transition infrastructure strategy ("Helios Energy Transition Infrastructure" or "HETI") which are expected to result in additional Seeding Investments in the near term.

2. Helios Co-Investments

The company also seeks to create value by investing its balance sheet capital in opportunities arising from Helios' investment strategies in private equity and new investment strategies ("Helios Co-Investments"). Balance sheet capital that is not deployed in seeding strategic initiatives will be invested alongside the current and future funds managed by Helios Holdings Limited ("HHL", together with one or more of its affiliates, as the context requires, the "Helios Holdings Group") or any of its affiliates (the "Helios Funds"), which we believe will ensure that HFP's capital is exposed to the best ideas Helios' market-leading investment teams identify. And, importantly, this further aligns our interests with those of the third-party investors in the Helios Funds. HFP's Helios Co-Investments will generally be structured as limited partner positions in Helios Funds (with no additional management or incentive fees being charged), or as direct investments into special purpose vehicles through which Helios Funds have structured their investment in the ultimate investee.

In 2022 the company funded additional capital into Helios Fund IV, pursuant to its pre-existing commitment, as a follow-on to an existing investment in a reinsurance company.

The company may from time to time seek to realize on any of its Portfolio Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the Portfolio 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.

Investment Selection

While specific investment criteria will differ among the various investment strategies, the company generally targets investments with the following characteristics:

- Benefiting from secular rather than cyclical growth;
- Achieving growth rates meaningfully higher than GDP;
- Capital light – or, where capital intensive, having a high degree of revenue visibility;
- Maintaining a high degree of control over their own value/supply chains, with few third-party operational dependencies;
- Having minimal daily interaction with public sector entities (for example, as customers or suppliers); and
- Pursuing business strategies that are consistent with global climate targets and objectives.

Environmental, social and governance ("ESG") considerations are paramount, and concerns related to these matters could render a potential investment unsuitable. Prior to recommending an investment to the Investment Committee, the Manager conducts an ESG assessment in which ESG risks, requirements and expectations are defined, and business integrity risk monitoring procedures determined. In the initial stages of reviewing an investment, should any key ESG, business integrity, or reputational issues or risks to HFP emerge, the Manager may recommend to the Investment Committee that the deal should be declined or, alternatively, that specialty consultants be retained to explore any such issues in further detail.

Investment Restrictions

The company will not make a Portfolio Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two Portfolio Investments where, after giving effect to each such investment, the total invested amount of each such investment would be equal to or no more than 25.0% of the company's total assets (the "Investment Concentration Restriction").

The company intends to make multiple different investments as part of its prudent investment strategy. Portfolio Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to shareholders. At December 31, 2022, the company determined that it was in compliance with the Investment Concentration Restriction.

Overview of African Operating Environment

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

Looking at the macroeconomic environment, African economies are resilient despite the deteriorating global economic conditions. According to the IMF, sub-Saharan African economies are projected to grow at an average of 3.8% in 2023, a slowdown of 0.9% since 2021. GDP growth in the US and Europe is forecasted to slow down significantly by 4.5% and 4.8%, respectively, over the same period. While developed economies experienced their highest level of price increases in over four decades, current inflation levels across Africa are more or less in line with the historical average. Looking at pre-pandemic trends in the decade up to the end of 2019, inflation in Africa was on average 8.2%. It is now forecasted to be 11% in 2023, a 34% increase. In contrast in the US and Europe, inflation averaged 1.5% and is projected to increase to 4.6%, equivalent to a 200% increase. In response, central banks hiked their interest rates. In the US and Europe, policy rates average 3.7% compared to 0.6% in the years before the pandemic, representing a six-time increase. Meanwhile in Africa, interest rates average 13.2% and remain close to the 10% historical average.

See *Risk Management* for additional discussion on risks relating to the Conflict in Ukraine, Financial Market Fluctuations, Operating and Financial Risks of Portfolio Investments, and Valuation Methodologies Involving Subjective Judgments.

Business Developments

Capital Transactions

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

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

During 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 88,776 subordinate voting shares for a net cost of $305 and $417 was recorded as a benefit in retained earnings.

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

On July 7, 2022, the company's normal course issuer bid expired.

Portfolio Investments

Cautionary Statement Regarding Financial Information of Significant Portfolio Investments

HFP has agreed to voluntarily provide within its MD&A, summarized unaudited financial information prepared for all of its Portfolio Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* AFGRI Holdings Proprietary Limited ("AFGRI Holdings"), the parent company of AFGRI Group Holdings Proprietary Limited ("AGH"), and TopCo LP prepare their financial statements in accordance with IFRS as issued by the IASB (TopCo LP and AFGRI Holdings collectively, "Significant Portfolio Investments"). Such unaudited financial information is the responsibility of the respective management teams and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS, and provided to the company in their underlying functional currencies. The company is limited in respect to the amount of independent verification it can perform with respect to the financial statements of AFGRI Holdings.

The company's investments in TopCo LP and AFGRI Holdings have fiscal years which end on December 31 and March 31, respectively. Summarized financial information of the company's Significant Portfolio Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management.

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

Summary of Portfolio Investments and Related Party Derivatives and Guarantees

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

	Initial Year of Acquisition	December 31, 2021	Capital Deployed	Realization, Distribution and Return of Capital	Change in Fair Value	December 31, 2022
Investment in Alternative Asset Management						
TopCo LP Class A Limited Partnership Interest	2020	90,223	478	(4,954)	(8,924)	76,823
TopCo LP Class B Limited Partnership Interest	2020	159,959	–	(1,278)	(10,106)	148,575
Total		250,182	478	(6,232)	(19,030)	225,398
Helios Managed Investments						
Helios Fund IV Limited Partnership Interest	2021	38,866	3,184	(9,820)	1,555	33,785
Trone Common Shares	2021	15,528	–	–	1,978	17,506
NBA Africa Common Shares	2021	33,416	–	–	5,803	39,219
Event Horizon Entertainment Loan	2022	–	9,418	–	55	9,473
Digital Ventures Facility	2022	–	14,527	–	429	14,956
Obashe Trust Facility	2022	–	363	–	8	371
Total		87,810	27,492	(9,820)	9,828	115,310
Insured and Guaranteed Legacy Non-Core Investments						
Indirect Equity Interest in AGH	2017	60,416	–	–	(42,960)	17,456
Philafrica Common Shares	2018	9,155	–	–	(4,747)	4,408
Philafrica Facility	2020	7,219	–	–	127	7,346
HFP Redemption Derivative	2021	15,906	–	–	46,230	62,136
		92,696	–	–	(1,350)	91,346
Atlas Mara Facility	2020	6,822	–	(4,366)	(2,456)	–
Atlas Mara Facility Guarantee	2020	32,046	–	(33,424)	1,378	–
		38,868	–	(37,790)	(1,078)	–
Total		131,564	–	(37,790)	(2,428)	91,346
Other Legacy Non-Core Investments						
Indirect Equity Interest in Access Bank SA	2018	1,288	–	–	(616)	672
Indirect Equity Interest in Nova Pioneer	2021	38,811	–	–	(13,343)	25,468
AFGRI International Facility	2021	9,726	–	–	1,943	11,669
CIG Loan	2018	18,797	–	–	(1,165)	17,632
Atlas Mara 11% Convertible Bonds	2018	28	–	–	(28)	–
Atlas Mara 7.5% Bonds	2018	20,000	–	(20,000)	–	–
Total		88,650	–	(20,000)	(13,209)	55,441
Public Investments						
Common Shares	2020	29,292	–	(10,264)	(2,433)	16,595
Total		29,292	–	(10,264)	(2,433)	16,595
Total Portfolio Investments and Related Party Derivatives and Guarantees		587,498	27,970	(84,106)	(27,272)	504,090

Private Portfolio Investments

Cautionary Statement Regarding the Valuation of Private Portfolio Investments

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

Investment in Alternative Asset Management

TopCo LP

TopCo LP, an affiliate of Helios Holdings Group, is a limited partnership established under the laws of Guernsey and controlled by its general partner, HFA GP (Guernsey) Limited, an affiliate of the Helios Holdings Group.

The investment in TopCo is HFP's long-term value driver and has generated $6,232 in distributions reflecting excess management fees and carried interest in 2022.

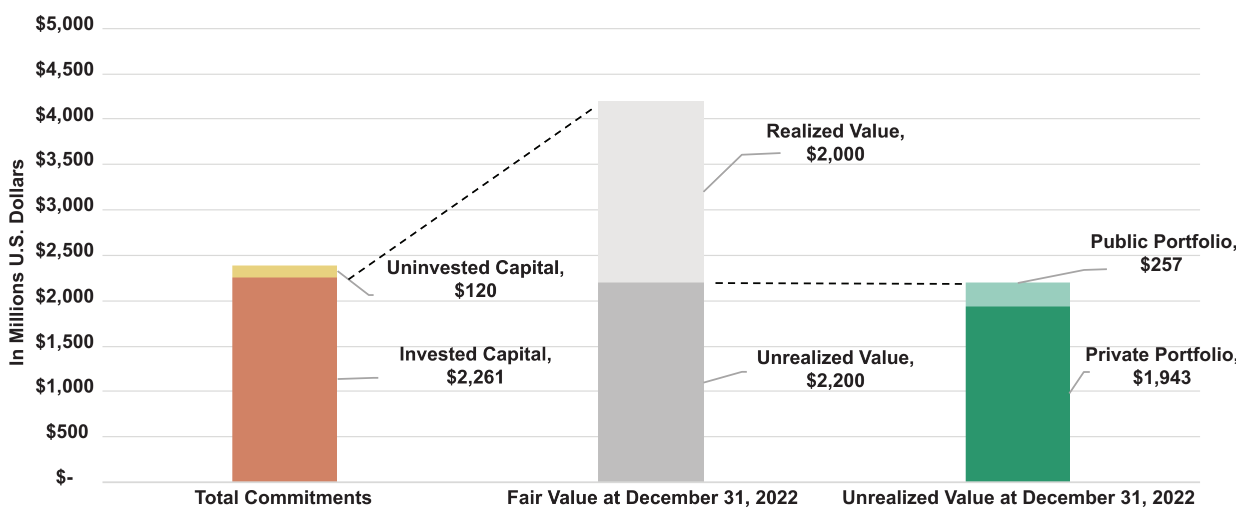
Business Overview

TopCo LP is the investment vehicle through which HFP receives cash flows from its entitlement to certain Helios fee streams, including excess management fees and carried interest. TopCo LP is the portfolio advisor of the company and its consolidated subsidiaries and has entered into a sub-advisory agreement with the Manager to provide the investment and advisory services to HFP, for which it receives investment advisory fees.

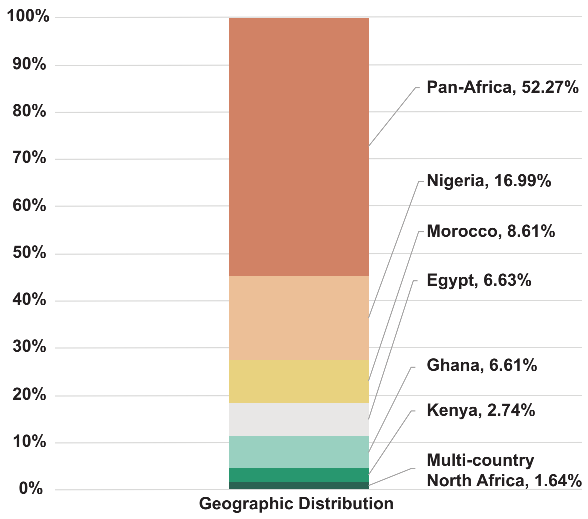
The Helios fee streams to which TopCo LP is entitled currently derive principally from three private equity funds managed by Helios. Each fund was formed with the purpose of investing in African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent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

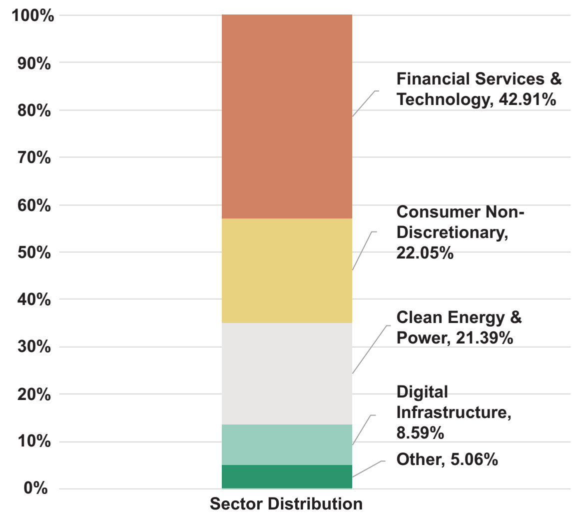
Helios Fund II, in which TopCo LP is entitled to a 25% share of the general partner's carried interest, is a private equity fund domiciled in the Cayman Islands that was formed in 2009 with $908,500 in committed capital; Helios Fund III (25% carried interest entitlement) is a private equity fund domiciled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

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



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





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

As at December 31, 2022, the five largest investments in the Helios Funds by unrealized value, were: (i) a private company providing cross border payment and foreign exchange services across Africa; (ii) a private company operating in the gas distribution sector principally in Nigeria; (iii) a private company offering electronic payment processing services in Nigeria; (iv) a private company distributing agricultural inputs across Africa; and (v) a private company operating a liquefied natural gas terminal in Ghana.

Summarized below is selected information from the Helios Funds for the years ended December 31, 2022 and December 31, 2021. Unrealized carried interest represents the amount of carried interest that would have been realized if all the portfolio investments in the respective Helios Funds were to be exited at their reporting date fair values.

Unrealized carried interest
(unaudited – US$ thousands)

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

Unrealized carried interest decreased by $180,879 from $354,946 at December 31, 2021 to $174,067 at December 31, 2022. TopCo LP's share of unrealized carried interest of the Helios Funds noted above is 25% for Helios Funds I-III and Peak Co-investment LP, and 50% of Helios Fund IV. TopCo LP's share of unrealized carried interest at December 31, 2022 of $45,777 represented a decrease of $44,600 (49.3%) from $90,377 at December 31, 2021. During the year, Peak Co-investment LP distributed carried interest to its partners and the company received $3,608 as part of the distribution.

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

Key Business Drivers, Events, and Risks

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

TopCo LP Class A Limited Partnership Interest

HFP is entitled to receive Carried Interest Proceeds received by TopCo LP, through its ownership of TopCo LP Class A Limited Partnership Interests, when relevant amounts become available for distribution. The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent it has received Carried Interest Proceeds and a clawback is required. At December 31, 2022 and December 31, 2021, the company was not subject to any clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest.

In December 2021, TopCo LP's limited partnership agreement was amended to commit HFP to contributing no more than 50.0% of either $15,000 or 2.0% of total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV and future Helios Funds ("Management Team Commitment") in exchange for pro rata limited partnership interest not subject to management fees and carried interest. Contributions in excess of this limit require consultation in good faith with the company and with Fairfax. This commitment is funded from capital contributed via HFP's TopCo LP Class A Limited Partnership Interest. In June 2022, HFP's total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV decreased from 50% to 25% following the final close of Helios Fund IV.

In 2022, the company received total distributions of $1,346 from TopCo LP as a result of an equalization adjustment and a return of capital from Helios Fund IV to HIP Equity IV and made total capital contributions of $478 to Helios Fund IV through HIP Equity IV related to the management team commitment. At December 31, 2022, the company's net capital contribution to TopCo LP in respect of Management Team Commitments was $3,722 and the remaining capital commitment was $3,778.

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

TopCo LP Class B Limited Partnership Interest

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

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

In 2021, the company earned Excess Management Fees of $2,410 through its TopCo LP Class B Limited Partnership Interest and recognized a distribution receivable at December 31, 2021. The amount was received in 2022.

At December 31, 2022, the company recognized a distribution receivable from its TopCo LP Class B Limited Partnership Interest of $1,278, which reflected Excess Management Fees earned during 2022. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class B Limited Partnership Interest and a receivable from related parties of $1,278.

Valuation and Consolidated Financial Statement Impact

TopCo LP Class A Limited Partnership Interest

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

(i) Fair value of Carried Interest Proceeds on Helios Funds which were determined using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed discount rates ranging from 25.8% to 31.8% (December 31, 2021 – 22.8% to 28.8%), target exit multiples of invested capital averaging 2.4x to 3.0x across Helios Funds II, III, and IV (December 31, 2021 – 2.5x to 3.0x), and forecasted exit dates ranging from 2023 to

2025 for Helios Funds II and III, and from 2023 to 2028 for Helios Fund IV (December 31, 2021 – 2022 to 2024 and 2022 to 2027). At December 31, 2022 free cash flow forecasts were based on estimates of Carried Interest Proceeds derived for each fund in accordance with waterfall provisions, prepared by Helios' management;

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

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

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

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

			Model inputs:				
Components of value	**Vintage Year**	**Committed Capital**	**Target exit year**	**Average target exit multiple of invested capital**	**Discount rate**	**HFP's share of carried interest**	**Fair value**
Helios Investors II, L.P. ("Helios Fund II")(1)	2009	908,500	2023-2024	2.4x	25.8%	25.0%	20,695
Helios Investors III, L.P. ("Helios Fund III")(2)	2014	1,117,000	2023-2025	2.4x	29.3%	25.0%	40,874
Helios Investors IV, L.P. ("Helios Fund IV")(3)	2020	355,000	2023-2028	3.0x	31.8%	50.0%	9,257
Fair value of Carried Interest Proceeds							70,826
Fair value of direct interest in Helios Fund IV through Management Team Commitment							5,997
Fair value of TopCo LP Class A Limited Partnership Interest							76,823

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

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

(3) Helios Fund IV is a private equity fund domiciled in the Cayman Islands that was formed in 2020 with the purpose of investing in companies that operate primarily in Africa. At December 31, 2022 the underlying portfolio investments in Helios Fund IV were primarily comprised of investments in: (i) a private company operating in the discount grocery retail space in Morocco; (ii) a private company providing cross-border electronic payment processing services globally (including Africa); (iii) a private reinsurance company operating across Africa; (iv) a private company distributing and maintaining medical devices in Morocco; and (v) a private company developing and operating hyperscale-ready data centers in Kenya.

The continued growth in these underlying companies' businesses, profits and their implied valuations is expected to yield attractive exit valuations, allowing the Helios Funds to realize at profitable exit multiples of invested capital. Helios Funds II and III, which together form a significant part of the fair value of Carried Interest Proceeds, are currently on track to meet their revised exit forecasts through 2023 to 2025 with Carried Interest Proceeds expected to be realized beginning in 2024.

At December 31, 2022, the company's internal valuation model indicated that the fair value of its TopCo LP Class A Limited Partnership Interest was $76,823 (December 31, 2021 – $90,223). Fair value at December 31, 2022 reflected a distribution of carried interest of $3,608 and an equalization adjustment and a return of capital of $1,346, offset by a capital contribution of $478 and a decrease in valuation of $8,924 due to revised exit forecasts and an increase in the discount rate driven by rising interest rates and country risk premium.

TopCo LP Class B Limited Partnership Interest

At December 31, 2022, the company estimated the fair value of its TopCo LP Class B Limited Partnership Interest using a discounted cash flow analysis based on multi-year probability-weighted free cash flow forecasts with an assumed discount rate of 15.8%, growth in assets under management of 24.6%, probability weightings of 25.0% to 75.0% on future fundraising initiatives implying an average reduction in unweighted future cash flows of 25.4%, a long term pre-tax profit margin of 42.2% and a long term growth rate of 4.5% (December 31, 2021 – multi-year probability-weighted free-cash flow forecasts with an assumed discount rate of 14.1%, growth in assets under management of 23.1%, a long term pre-tax profit margin of 42.2% and a long term growth rate of 4.5%). At December 31, 2022, free cash flow forecasts were based on Excess Management Fee forecasts prepared by Helios' management.

Free Cash Flow Forecast Inputs

The primary drivers of the free cash flow estimates are the forecasted growth in assets under management over eight years through the creation of new Helios private equity funds, as well as raising capital for new strategies such as Helios Digital Ventures, Helios Sports and Entertainment Group, Helios Seven Rivers Fund, Helios CLEAR and Helios Energy Transition Infrastructure. The $1.4 billion in fee-earning committed capital in place at December 31, 2022 is expected to grow to $8.0 billion over the eight year forecasting period, implying a compound annual growth rate of 24.6%. Growth in profit margins is expected to be driven by growth in assets under management, combined with expected operating leverage. In the event that TopCo LP does not achieve its forecasted growth in assets under management in future periods, this may result in a negative impact on the fair value of the company's TopCo LP Class B Limited Partnership Interest.

Current Model Assumptions

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

Long term pre-tax profit margins of 42.2% at December 31, 2022 (December 31, 2021 – 42.2%) were estimated by Helios' management based on probability-weighted management fee income and expected operating leverage, resulting in expected long term pre-tax profit margins that were comparable to publicly listed global private equity asset managers.

The discount rate increased to 15.8% at December 31, 2022 from 14.1% at December 31, 2021. At December 31, 2022, the discount rate of 15.8% continued to include certain risk premiums commensurate with the risks inherent in the probability-weighted expected future cash flows.

The long term growth rate of 4.5% at December 31, 2022 (December 31, 2021 – 4.5%) was based on the expected long term sustainable growth rate of the economic environments and sectors in which the investment operates.

At December 31, 2022, the company's internal valuation model indicated that the fair value of its TopCo LP Class B Limited Partnership Interest was $148,575 (December 31, 2021 – $159,959). The decrease in fair value from December 31, 2021 was primarily due to an increase in the discount rate driven by rising interest rates in response to high inflation.

TopCo LP's Summarized Financial Information

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

Balance Sheet
(unaudited – US$ thousands)

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

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

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

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

Helios Managed Investments

As at December 31, 2022, the company has deployed $95,167 into Helios Managed Investments representing $40,859 in direct or co-investments and $54,308 to accelerate investments into new strategies. Since the company's initial investments, the fair value has increased by $20,143 (21.2%) to $115,310 as a result of the strong performance of the underlying investee companies.

Co-Investments

Helios Fund IV

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

On March 31, 2021, the company committed to invest $50,000 in Helios Fund IV. As agreed with the Helios Fund IV GP, the company was admitted to Helios Fund IV as a "Listed Fund" under the terms of Helios Fund IV's limited partnership agreement, as amended and restated (the "Helios Fund IV LPA"), meaning that the company will not incur any management fees nor any carried interest payable to Helios Fund IV GP with respect to its investment in Helios Fund IV, which would otherwise be incurred in accordance with the Helios Fund IV LPA.

As of December 31, 2022, Helios Fund IV is managing over $355 million of committed capital and has made investments in: (i) TTMFS Singapore, a private company that provides electronic payment processing services globally (including Africa); (ii) Africa Specialty Risks, a private reinsurance company established in 2020 and is expected to operate across Africa; (iii) BIM Stores Morocco, a private company operating in the discount grocery retail space in Morocco; (iv) Trone, a private company operating in medical devices, in vitro diagnostics and pharmaceuticals in Morocco; and (v) IXAfrica, a private company developing and operating hyperscale-ready data centers in Kenya.

In 2022, the company received total distributions of $9,820 from Helios Fund IV, comprised of an equalization adjustment of $5,402 and a return of capital of $4,418, and funded capital calls of $3,184.

At December 31, 2022, the company had funded aggregate capital calls of $24,815, representing 14.1% (December 31, 2021 – $31,967 and 16.9%) of the limited partnership interest in Helios Fund IV based on committed capital.

At December 31, 2022, the company's remaining capital commitment to Helios Fund IV was $25,185 (December 31, 2021 – $18,549), which may be called at any time by Helios Fund IV GP in accordance with the Helios Fund IV LPA.

At December 31, 2022, the company estimated the fair value of its investment in Helios Fund IV Limited Partnership Interest to be $33,785 (December 31, 2021 – $38,866). Fair value at December 31, 2022 reflected a net distribution of $6,636, consisting of an equalization adjustment and a return of capital of $9,820, net of a capital contribution of $3,184; and an increase in fair value of the underlying investments, primarily in medical equipment sector of Helios Fund IV.

Since the company's initial investment, the fair value of Helios Fund IV has increased by $8,454 (33.4%) as a result of the strong performance of the underlying investee companies.

Trone Holdings

Trone Investment Holdings (UK) ("Trone Holdings") is a holding company based in London, United Kingdom, created for the purpose of holding an equity interest in a Moroccan medical technology distribution group ("Trone"). Trone distributes and maintains medical imaging and diagnostic equipment, and produces and distributes contrast pharmaceuticals for imaging.

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

At December 31, 2022, the company estimated the fair value of its 22.0% equity interest in Trone Holdings to be $17,506 (December 31, 2021 – $15,528). The investment was valued at transaction price at December 31, 2021. At December 31, 2022, the fair value of the investment increased as the valuation technique was changed from the initial transaction price to a market approach using EBITDA multiples, which is more indicative of the fair value given the passage of time.

Seeding Investments

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

NBA Africa

NBA Africa, LLC ("NBA Africa"), is an entity formed by the National Basketball Association ("NBA") to conduct the league's business in Africa including the Basketball Africa League, a partnership between the NBA and the International Basketball Federation. HFP's investment in NBA Africa is the company's first investment into the sports and entertainment sector, a strategy that was launched in 2021.

At December 31, 2022 and December 31, 2021, the company had invested $30,000 in exchange for an equity interest in NBA Africa.

At December 31, 2022, the company estimated the fair value of its investment in NBA Africa to be $39,219 (December 31, 2021 – $33,416). The increase in fair value from December 31, 2021 was driven by successful execution of the NBA Africa's strategy across the continent, including a successful second season of the Basketball Africa League with positive momentum in expected revenue growth from sponsorships and media partnerships. Since the company's initial investment, the fair value has increased by $9,219 (30.7%).

Event Horizon Loan

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

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

At December 31, 2022, the company estimated the fair value of the Event Horizon loan to be $9,473 (December 31, 2021 – $nil).

In 2022, the company recorded interest income of $524 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Event Horizon Loan.

Subsequent to December 31, 2022

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

Digital Ventures Facilities

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

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

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

The Digital Ventures $40M Facility bears interest at a rate of 8% per annum, accrued and capitalized quarterly, is unsecured and matures on May 30, 2023. The Digital Ventures $1M Facility bears interest at a rate of 6% per annum, accrued and capitalized quarterly, is unsecured and matures on June 7, 2037. Upon maturity of the Digital Ventures $40M Facility, the company expects to become a limited partner of HDV.

At December 31, 2022, the company estimated the fair values of the amounts drawn on the Digital Ventures $40M Facility and the Digital Ventures $1M Facility to be $14,956 and $371 (December 31, 2021 – $nil and $nil), respectively, including capitalized interest of $429 and $7, (December 31, 2021 – $nil and $nil) respectively.

In 2022, the company recorded interest income of $533 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Digital Ventures $40M Facility.

In 2022, the company recorded interest income of $10 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Digital Ventures $1M Facility.

Insured and Guaranteed Legacy Non-core Investments

Indirect equity interest in AGH

AFGRI Holdings Proprietary Limited ("AFGRI Holdings") is a private holding company based in South Africa that owns 100.0% of AFGRI Group Holdings Proprietary Limited ("AGH"), an investment holding company with interests in a number of agricultural and food-related companies.

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

At December 31, 2022, the company estimated the fair value of its 46.8% indirect equity interest in AGH to be $17,456 (December 31, 2021 – $60,416). The investment was valued using EBITDA multiples at December 31, 2021. At December 31, 2022, the valuation technique was changed from EBITDA multiples to offer price based on a non-binding offer as it is more indicative of the fair value of the investment.

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

AFGRI Holdings' Summarized Financial Information

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

The company's fiscal year ends on December 31 and AFGRI Holdings' fiscal year ends on March 31. Summarized below are the consolidated balance sheets for AFGRI Holdings at December 31, 2022 and March 31, 2022.

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

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

(1) The net assets of AFGRI Holdings were translated at December 31, 2022 at $1 U.S. dollar = 17.01 South African rand and at March 31, 2022 at $1 U.S. dollar = 14.61 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting an increase in inventory and trade receivables, driven mostly by the seasonality of the business and the higher commodity price environment. The increase in inventory levels also reflects the increase in construction units with the further introduction of the John Deere construction and forestry range by the equipment business in South Africa. Non-current assets remained relatively constant. Current liabilities increased primarily reflecting an increase in trade payables originating mostly at the equipment businesses in both South Africa and Australia due to the increase in floor plan finance driven by the increase in John Deere inventories. Non-current liabilities and shareholders' equity remained relatively stable during the period.

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

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

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

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

Revenues increased primarily due to strong equipment sales in both South Africa and Australia following a good agricultural year and elevated commodity prices, and increased retail revenue on the back of higher volume direct sales and higher fuel prices impacting the sales value of fuel sales, partially offset by decreased sales volume in Philafrica's businesses due to competitive pressures and volume pressure reported at AFGRI's financial services business due to the delay with the implementation of an alternative funding platform to replace the Land Bank debtor funding. Revenues also include the impact of the acquisition of Agri Implements ("AIM") in Australia effective July 17, 2021, the sale of Philafrica's snacks business effective November 1, 2022 and the decrease in Philafrica's controlling stake in its redmeat rendering business to a 50% joint venture. Income before taxes remained relatively constant. The decrease in net income includes the effect of not raising deferred tax assets on assessed tax losses where entities have been loss making or not trading and the tax impact of corporate actions and impairments.

Philafrica Foods Proprietary Ltd.

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

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

At December 31, 2022, the company estimated the fair value of its investment in Philafrica common shares to be $4,408 (December 31, 2021 – $9,155).

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022), Fairfax guaranteed a floor valuation of the company's investments in the Reference Investments, giving rise to the HFP Redemption Derivative described later in this note.

Philafrica Facility

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

At December 31, 2022, the company estimated the fair value of the Philafrica Facility to be $7,346 (December 31, 2021 – $7,219).

In 2022, the company recorded interest income of $776 (2021 – $733) within the consolidated statement of loss and comprehensive loss related to the Philafrica Facility.

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022), Fairfax guaranteed a floor valuation of the company's investments in the Reference Investments, giving rise to the HFP Redemption Derivative described later in this note.

HFP Redemption Derivative

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022) the company entered into the HFP Redemption Derivative. At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in the Reference Investments is lower than $102,600.

At December 31, 2022, the fair value of the HFP Redemption Derivative was $62,136 (December 31, 2021 – $15,906). The increase in fair value from December 31, 2021 was primarily due to the decrease in the fair value of the Reference Investments.

Atlas Mara Facility and Atlas Mara Facility Guarantee

At August 28, 2022 and December 31, 2021, the company had advanced $39,507, net of $493 in raising fees, under the terms of a secured lending arrangement with Atlas Mara (the "Atlas Mara Facility"). The Atlas Mara Facility has a stated coupon of 10.0% per annum plus default interest of 7.5%, accrued quarterly and payable in kind. Fairfax guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee described below.

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

In 2021, the company received partial repayment for the Atlas Mara Facility of $11,325. In 2022, the company received further repayment of $4,365 from Atlas Mara and entered into an Assignment Agreement with Fairfax, whereby the company assigned its legal and beneficial rights, title and interests in the Atlas Mara Facility to Fairfax and cancelled the Atlas Mara Facility Guarantee effective August 29, 2022 in exchange for $33,424, which was received in full on August 30, 2022.

The company realized $49,114 from the Atlas Mara Facility and the Atlas Mara Facility Guarantee, minimized the loss on this portfolio investment and generated liquidity which can be deployed in future strategies.

Other Legacy Non-core Investments

Indirect equity interest in Nova Pioneer

Nova Pioneer Education Group ("Nova Pioneer") is a Pan-African independent school network offering preschool through secondary education for students from ages 2 through 19. Nova Pioneer operates sixteen schools with a combined enrollment of approximately 5,653 students. Nova Pioneer is wholly-owned by Ascendant Learning Limited ("Ascendant"), its Mauritius-based parent entity.

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

At December 31, 2022 and December 31, 2021, the company had invested an aggregate of $38,811 for a 56.3% equity interest in Ascendant ("Indirect equity interest in Nova Pioneer").

At December 31, 2022, the company estimated the fair value of its indirect equity interest in Nova Pioneer to be $25,468 (December 31, 2021 – $38,811). The decrease in fair value from December 31, 2021 was primarily due to a deterioration in the exchange rate of Nova Pioneer's functional currencies (Kenyan shilling and South African rand) and its reporting currency (U.S. Dollar) as well as the increased cost of capital and an updated assessment of the growth prospects of the business.

AFGRI International Facility

On August 20, 2021, the company entered into a secured lending arrangement with AFGRI International Proprietary Limited ("AFGRI International"), a wholly-owned South African subsidiary of AGH, pursuant to which the company agreed to provide up to $10,000 of financing (the "AFGRI International Facility"). On August 26, 2021 the company advanced $9,600, net of $400 in raising fees, under the AFGRI International Facility, bearing interest at a rate of 12.75% per annum, accrued and capitalized quarterly, and maturing on August 26, 2022, one year from initial funding date.

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

At December 31, 2022, the company estimated the fair value of the AFGRI International Facility to be $11,669 (December 31, 2021 – $9,726), including capitalized interest of $1,351 (December 31, 2021 – $nil).

In 2022, the company recorded interest income of $1,492 (2021 – $669) within the consolidated statements of loss and comprehensive loss related to the AFGRI International Facility.

Subsequent to December 31, 2022

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

CIG Loan

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

On November 9, 2020, CIG commenced voluntary business rescue proceedings and, as a result, suspended trading of its common shares on the Johannesburg Stock Exchange. The company does not expect to recover any of its interest receivable on the CIG Loan and, in 2021, the company recorded a write-down of interest receivable of $1,206 within the consolidated statements of loss and comprehensive loss. At December 31, 2022, the interest receivable related to the CIG Loan was nil.

On September 30, 2022, CIG signed a purchase and sale agreement (the "CIG PSA") whereby CIG would sell its shares in Conlog. The sale has received regulatory approval. The expected recovery rate used in the company's valuation of the CIG Loan reflects the expected recovery from the sale of Conlog.

At December 31, 2022, the company estimated the fair value of the CIG Loan to be $17,632 (December 31, 2021 – $18,797).

Subsequent to December 31, 2022

As of March 17, 2023, the company received full repayment of the principal of $16,391 (300 million South African rand) rand on the CIG Loan.

Bonds

At December 31, 2022 and December 31, 2021, the company had invested $16,000 in Atlas Mara convertible bonds with a stated coupon of 11.0% per annum, accrued quarterly and payable in kind ("Atlas Mara 11.0% Convertible Bonds"). In addition, at June 16, 2022 and December 31, 2021, the company had invested $20,000 in Atlas Mara bonds with a stated coupon of 7.5% per annum, payable semi-annually ("Atlas Mara 7.5% Bonds") (collectively, the Atlas Mara 11.0% Convertible Bonds and the Atlas Mara 7.5% Bonds are referred to as the "Atlas Mara Bonds"). The Atlas Mara 7.5% Bonds were secured by Atlas Mara's shares in the Union Bank of Nigeria ("UBN") and the Atlas Mara 11.0% Convertible Bonds are unsecured.

On July 14, 2021, Atlas Mara and certain of its affiliates entered into a support and override agreement (the "Atlas Mara SOA") with its lenders which formalized plans to repay its outstanding debt obligations through orderly dispositions of certain of its underlying businesses. In December 2021, Atlas Mara and certain other shareholders in UBN entered into an agreement to sell their interest in UBN to a Nigerian bank holding company ("UBN Sale").

During the second quarter of 2022, the conditions of the UBN Sale were met. On June 17, 2022, pursuant to the Atlas Mara SOA, the company received full repayment of the principal of $20,000 and unpaid interest of $6,202 on the Atlas Mara 7.5% Bonds from the proceeds of the UBN Sale. As at December 31, 2022, the company has exited the Atlas Mara 7.5% Bonds and the proceeds realized generated liquidity which can be deployed in future strategies.

At December 31, 2022, interest receivable of $nil (December 31, 2021 – $2,832) is related to the Atlas Mara 7.5% Bonds. Interest receivable relating to the Atlas Mara 11.0% Convertible Bond has been accrued and capitalized up to December 28, 2020. The company no longer accrues interest on the Atlas Mara 11% Convertible Bonds effective December 28, 2020.

At December 31, 2022, the company estimated the fair value of the Atlas Mara 11.0% Convertible Bonds to be $nil (December 31, 2021 – $28).

In 2022, the company recorded interest income of $3,370 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Atlas Mara 7.5% Bonds.

Public Portfolio Investments

The company's Public Portfolio Investments are as follows:

Common Shares

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

On July 25, 2022, the company sold one of its investments in Other Common Shares under a recommended cash offer, resulting in net proceeds of $10,264 received by the company on August 5, 2022 and a net realized gain of $5,197 and a net foreign exchange loss of $745. The proceeds increase HFP's available liquidity for future investments.

At December 31, 2022, the fair value of the company's investment in Other Common Shares was $16,595 (December 31, 2021 – $29,292), determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date. The decrease in fair value from December 31, 2021 was due primarily to the disposition of shares of $10,264 as discussed above, a decline in share price driven by market volatility, and a deterioration in the exchange rate between South African Rand and U.S. dollar.

Results of Operations

HFP's consolidated statements of loss for the years ended December 31, 2022, 2021 and 2020 are shown in the following table:

	2022	2021	2020
Income			
Interest	8,997	139	18,727
Dividends	950	714	15
Net realized gains (losses) on investments	28,736	(21,247)	(208,462)
Net change in unrealized gains (losses) on investments	(51,925)	30,024	30,643
Net foreign exchange losses	(8,814)	(12,907)	(13,956)
	(22,056)	(3,277)	(173,033)
Expenses			
Investment and advisory fees	3,642	4,146	4,128
Performance fee (recovery)	(938)	938	–
General and administration expenses	14,623	10,562	9,528
Helios Transaction expenses	–	–	16,507
Loss on uncollectible accounts receivable	–	6,073	–
Interest expense	3,593	2,700	773
	20,920	24,419	30,936
Loss before income taxes	(42,976)	(27,696)	(203,969)
Provision for (recovery of) income taxes	7,801	(1,774)	2,677
Net loss and comprehensive loss	(50,777)	(25,922)	(206,646)
Net loss per share	$ (0.47)	$ (0.24)	$ (3.31)

Total loss from income of $22,056 in 2022 increased from $3,277 in 2021 principally as a result of net change in unrealized losses on investments as compared to net change in unrealized gains on investments in 2021. This was partially offset by increased interest income, net realized gains on investments as compared to net realized losses on investments in 2021, and decreased net foreign exchange losses.

Net gains (losses) on investments in 2022 and 2021 were comprised as follows:

	2022			2021		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	**Net realized gains (losses)**	**Net change in unrealized gains (losses)**	**Net gains (losses)**
Net gains (losses) on investments:						
Term deposits	**–**	**–**	**–**	(12,392)	–	(12,392)
Limited partnership investments	**–**	**(17,475)**	**(17,475)**	–	(14,715)	(14,715)
Common shares	**5,197**	**(55,546)**	**(50,349)**	3,579	21,145	24,724
Loans	**(9,885)**	**6,940**	**(2,945)**	(16,388)	5,307	(11,081)
Bonds	**–**	**(28)**	**(28)**	(9,541)	5,451	(4,090)
Derivatives and guarantees	**33,424**	**14,184**	**47,608**	13,495	12,836	26,331
	28,736	**(51,925)**	**(23,189)**	(21,247)	30,024	8,777

Net realized gains on investments of $28,736 in 2022 principally related to realized gains on the cancellation of the Atlas Mara Facility Guarantee (33,424) and disposal of Other Common Shares ($5,197), offset by a realized loss on assignment of the Atlas Mara Facility ($10,363).

Net realized losses on investments of $21,247 in 2021 principally related to realized losses on the partial repayment of the Atlas Mara Facility ($16,388), the Atlas Mara Zambia Term Deposit ($12,392), and conversion of the Nova Pioneer Bonds ($9,541), partially offset by realized gains on the Atlas Mara Zambia Term Deposit Guarantee ($13,495) and sale of the company's Other Common Shares ($3,579).

The net change in unrealized losses on investments of $51,925 in 2022 was principally comprised of unrealized losses on Indirect equity interest in AGH ($40,488), Nova Pioneer Common Shares ($13,343), TopCo LP Class B Limited Partnership Interest ($10,106), TopCo LP Class A Limited Partnership Interest ($8,924), and Philafrica Common Shares ($3,484), and the reversal of unrealized gains on the Atlas Mara Facility Guarantee ($32,046) and Other Common Shares ($4,532), partially offset by unrealized gains on HFP Redemption Derivative ($46,230) and NBA Africa ($5,803), and the reversal of previously recognized unrealized losses on the Atlas Mara Facility ($7,907).

The net change in unrealized gains on investments of $30,024 in 2021 was principally comprised of unrealized gains on the company's investments in the Atlas Mara Facility Guarantee ($18,794), Other Common Shares ($13,290), and Helios Fund IV limited partnership interest ($6,899), and reversal of prior period unrealized losses on partial settlement of the Atlas Mara Facility ($7,905) and conversion of the Nova Pioneer Bonds ($7,831), partially offset by unrealized losses on TopCo LP Class A and Class B Limited Partnership Interests ($21,614), the HFP Redemption Derivative ($5,958), the Atlas Mara Facility ($3,716) and the Atlas Mara 11.0% Convertible Bonds ($2,414).

Net foreign exchange gains (losses) on investments in 2022 and 2021 were comprised as follows:

	2022			2021		
	Net realized losses	**Net change in unrealized losses**	**Net losses**	**Net realized gains (losses)**	**Net change in unrealized losses**	**Net losses**
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(570)**	**–**	**(570)**	(1,305)	–	(1,305)
Common shares	**(745)**	**(5,299)**	**(6,044)**	808	(9,918)	(9,110)
Loans	**–**	**(2,038)**	**(2,038)**	–	(2,214)	(2,214)
Other	**–**	**(162)**	**(162)**	–	(278)	(278)
	(1,315)	**(7,499)**	**(8,814)**	(497)	(12,410)	(12,907)

Net foreign exchange losses of $8,814 in 2022 and $12,907 in 2021 were principally a result of the weakening of the South African rand and pound sterling relative to the U.S. dollar during the periods.

Total expenses of $20,920 in 2022 decreased from total expenses of $24,419 in 2021, principally as a result of no non-recurring loss on uncollectible accounts being recorded as compared to 2021 and a performance fee recoverable as compared to a performance fee in 2021, partially offset by higher general and administrative and interest expenses. General and administrative expenses include costs attributable to the company's investment activities of $1,116 (2021 – $805). The expenses attributable to investment activities include legal and other professional services required to complete the investment process. As these costs relate directly to the company's investment activities, they are not considered by management to be general and administrative expenses required for the day-to-day operations of the company.

In 2022, investment and advisory fees, calculated 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, were $3,642 (2021 – $4,146).

In 2022, a performance fee recovery of $938 (2021 – performance fee of $938) was recorded as the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 – $938) since the Adjusted Book Value per Share of $2.91 (before factoring in the impact of the performance fee) at December 31, 2022 was less than the hurdle per share at that date of $3.27.

Loss on uncollectible accounts receivable of $6,073 in 2021 occurred as a result of losses on the TLG Facility Guarantee and uncollectible sales tax refundable. There was no loss on uncollectible accounts receivable in 2022.

Interest expense of $3,593 in 2022 (2021 – $2,700) related to the HFP 3.0% Debentures.

The provision for income taxes of $7,801 in 2022 differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily as a result of the tax rate differential on earnings outside of Canada, foreign exchange effects, partially offset by the non-taxable portion of unrealized gains and losses on investments and change in unrecorded tax benefit of losses and temporary differences. The recovery of income taxes of $1,774 in 2021 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 losses before income taxes primarily as a result of unused tax losses, partially offset by the non-taxable portion of unrealized gains and losses on investments, the tax rate differential on losses incurred outside of Canada, and foreign exchange effects.

The company reported a net loss of $50,777 (net loss of $0.47 per basic and diluted share) in 2022 compared to a net loss of $25,922 (net loss of $0.24 per basic and diluted share) in 2021. The increase in net loss primarily reflected increased net unrealized losses on investments, increased provision for income taxes, and increased general and administrative expenses, partially offset by increased net realized gains, increased interest income, decreased net foreign exchange losses, and no non-recurring loss on uncollectible accounts being recorded as compared to 2021.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at December 31, 2022 were primarily impacted by changes to the Portfolio Investments, including the cancellation of the Atlas Mara Facility Guarantee, assignment of the Atlas Mara Facility, the sale of Other Common Shares, equalization adjustments and a return of capital from and a capital contribution to Helios Fund IV, returns of capital and receipt of carried interest from TopCo LP, investments in the Event Horizon Loan and Digital Ventures Facilities, and settlement of related party receivables and payables.

	December 31, 2022	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	**125,241**	76,284	66,052
Restricted cash deposits	**–**	–	7,525
Term deposits	**–**	–	12,392
Related party loan	**19,030**	19,608	19,411
Related party derivatives and guarantees	**62,136**	47,952	—
Portfolio Investments	**441,954**	539,546	493,654
Total cash and investments	**648,361**	683,390	599,034
Interest receivable	**405**	2,978	8,961
Deferred income taxes	**–**	–	835
Income tax refundable	**1,695**	5,632	–
Other receivables from related parties	**1,319**	11,002	–
Other assets	**832**	1,390	1,946
Total assets	**652,612**	704,392	610,776
Liabilities			
Accounts payable and accrued liabilities	**218**	136	6,982
Automatic share purchase plan liability	**–**	500	–
Payable to related parties	**803**	8,803	3,660
Income tax payable	**–**	–	399
Deferred income taxes	**8,058**	4,419	–
Borrowings	**99,226**	98,632	–
Total liabilities	**108,305**	112,490	11,041
Equity			
Common shareholders' equity	**544,307**	591,902	599,735
	652,612	704,392	610,776

Total Assets

Total assets at December 31, 2022 of $652,612 decreased compared to total assets of $704,392 at December 31, 2021. The decrease was principally comprised of the following:

Total cash and investments decreased to $648,361 at December 31, 2022 from $683,390 at December 31, 2021.

Cash and cash equivalents increased to $125,241 at December 31, 2022 from $76,284 at December 31, 2021 primarily as a result of the disposal of non-core assets, including the receipt of full and partial repayment, respectively, of the Atlas Mara 7.5% Bonds and the Atlas Mara Facility and cancellation of the Atlas Mara Guarantee. The increase is also a result of receipt of an equalization adjustment and returns of capital from Helios Fund IV, receipt of carried interest and Excess Management Fees from TopCo LP, and the sale of Other Common Shares. The increase was offset by the funding of new investments in the Event Horizon Loan, the Digital Ventures $40M Facility, and the Digital Ventures $1M Facility.

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

Related party loan decreased to $19,030 at December 31, 2022 from $19,608 at December 31, 2021 primarily as a result of movements in interest rates.

Interest receivable of $405 at December 31, 2022 primarily related to accrued interest on the company's loan investments. Interest receivable of $2,978 at December 31, 2021 primarily related to interest receivable on the company's investments in the Atlas Mara 7.5% Bonds, which was received during 2022.

Income tax refundable decreased to $1,695 at December 31, 2022 from $5,632 at December 31, 2021 primarily due to an increase in expected taxes payable from partnership income allocations, dispositions of investments in the current year, and foreign exchange gains.

Other receivables from related parties decreased to $1,319 at December 31, 2022 from $11,002 at December 31, 2021. The balance at December 31, 2022 primarily reflected a distribution receivable from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during the year. The balance at December 31, 2021 primarily reflected a distribution receivable of $7,733 from TopCo LP Class A Limited Partnership Interest and a distribution receivable of $2,410 from TopCo LP Class B Limited Partnership Interest, both of which were received during 2022.

Total Liabilities

Total liabilities at December 31, 2022 of $108,305 decreased compared to $112,490 at December 31, 2021. The decrease was principally comprised of the following:

Payable to related parties decreased to $803 at December 31, 2022 from $8,803 at December 31, 2021. The balance at December 31, 2022 primarily reflected management fees due to TopCo LP. The balance at December 31, 2021 primarily reflected TopCo LP Class A Limited Partnership Interest capital call commitment, performance fees, and management services fees which were settled in 2022.

Deferred income taxes increased to $8,058 at December 31, 2022 from $4,419 at December 31, 2021, primarily due to increases in the fair value of the company's investments resulting in higher taxes expected on future settlement.

Comparison of 2021 to 2020 – Total assets increased to $704,392 at December 31, 2021 from $610,776 at December 31, 2020 primarily due to the company's investments in NBA Africa, Trone, Helios Fund IV, the AFGRI International Facility, and the HFP Redemption Derivative and increases in income tax refundable and other receivables from related parties, partially offset by decreases in short term investments.

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, 2022 compared to those identified at December 31, 2021, other than as outlined in note 12 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

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 and borrowings, was $643,533 at December 31, 2022 (December 31, 2021 – $690,534). The decrease primarily reflected net loss of $50,777.

Book Value per Share

Common shareholders' equity at December 31, 2022 was $544,307 (December 31, 2021 – $591,902). The company's book value per share at December 31, 2022 was $5.03 compared to $5.47 at December 31, 2021, representing a decrease in 2022 of 8.0%, primarily due to a net loss of $50,777 in 2022.

The table below presents the book value per share from the company's IPO date of February 17, 2017 to December 31, 2022, and the annual growth (decline) and the compound annual decline in book value per share since IPO. At December 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 – $938) as the Adjusted Book Value per Share of $2.91 (before factoring in the impact of the performance fee) at December 31, 2022 was less than the hurdle per share at that date of $3.27.

	Book value per share	Annual growth (decline) in book value per share
February 17, 2017	$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)%
December 31, 2021	$5.47	(0.5)%
December 31, 2022	$5.03	(8.0)%
Compound annual decline in book value per share		(11.0)%

HFP's compound annual decline in book value per share to $5.03 at December 31, 2022 was in line with the performance of the broader African macroeconomic environment. HFP's book value per share of $5.03 at December 31, 2022 represented a compound annual decline during that period of 11.0% 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 2.4% during the same period.

During 2022 the total number of shares effectively outstanding decreased as a result of purchases for cancellation of 88,776 subordinate voting shares under the terms of its normal course issuer bid. At December 31, 2022 there were 108,193,971 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)
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)
2021 – purchase of shares	(858,608)	–	(858,608)	$ 3.01	$ (2,587)
	52,806,780	55,452,865	108,259,645		
2022 – issuance of shares	23,102	–	23,102	$ 3.10	$ 72
2022 – purchase of shares	(88,776)	–	(88,776)	$ 3.44	$ (305)
	52,741,106	55,452,865	108,193,971		

(1) Multiple voting shares are not publicly traded.

During the period January 1, 2022 to July 7, 2022, the company was entitled, subject to compliance with applicable corporate and securities laws, to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

During 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 88,776 subordinate voting shares (2021 – 858,608) for a net cost of $305 (2021 – $2,587) and $417 (2021 – $4,400) was recorded as a benefit in retained earnings.

On July 7, 2022, the company's normal course issuer bid expired.

Liquidity

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

At December 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 – $938). Refer to the Contractual Obligations section of this MD&A for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2023.

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

Highlights in 2022 (with comparisons to 2021) of major components of the statements of cash flows are presented in the following table:

	2022	2021
Operating activities		
Cash provided by (used in) operating activities excluding net disposals (purchases) of investments, receipt of equalization capital adjustments, receipt of returns of capital and Excess Management Fees, and receipt of carried interest	34,316	(25,064)
Net disposals (purchases) of investments	1,940	(68,337)
Receipt of equalization capital adjustments	5,402	–
Receipt of returns of capital and Excess Management Fees	8,174	–
Receipt of carried interest	11,341	–
Decrease (increase) in restricted cash deposits	–	7,525
Financing activities		
Proceeds from borrowings	–	100,000
Subordinate voting shares – purchases for cancellation	(305)	(2,587)
Increase in cash and cash equivalents during the year	60,868	11,537

Cash provided by operating activities excluding net disposals of investments, receipt of equalization capital adjustments, receipt of returns of capital and Excess Management Fees, and receipt of carried interest of $34,316 in 2022 increased from cash used in operating activities excluding the impact of changes in restricted cash deposits and net purchases of investments of $25,064 in 2021 primarily due to receipt of amounts related to the cancellation of the Atlas Mara Facility Guarantee, increased cash interest received, offset by settlement of related party liabilities.

Net disposals of investments of $1,940 in 2022 were comprised of disposals of investments of $34,629 related to the full repayment of the Atlas Mara 7.5% Bonds, partial repayment of the Atlas Mara Facility, and sale of Other Common Shares, offset by purchases of investments of $32,689 related to the company's investments in the Event Horizon Loan, the Digital Ventures $40M Facility, the Digital Ventures $1M Facility, TopCo LP Class A Limited Partnership Interest, and Helios Fund IV. Net purchases of investments of $68,337 in 2021 related to the company's investment in NBA Africa, Helios Fund IV, the AFGRI International Facility, and Trone, offset by sales of Other Common Shares.

Receipt of equalization adjustments of $5,402 in 2022 related to the receipt of equalization adjustments from Helios Fund IV. There were no equalization adjustments in 2021.

Receipt of returns of capital and Excess Management Fees of $8,174 in 2022 were comprised of a return of capital from Helios Fund IV of $4,418, a return of capital from TopCo LP Class A Limited Partnership Interest of $1,346, and receipt of Excess Management Fees from TopCo LP Class B Limited Partnership Interest of $2,410. There was no receipt of returns of capital or Excess Management Fees in 2021.

Receipt of carried interest of $11,341 in 2022 was comprised of realized carried interest from TopCo LP Class A Limited Partnership Interest. There was no receipt of carried interest in 2021.

Decrease in restricted cash deposits of $7,525 in 2021 reflected a transfer of amounts held in deposit accounts with Access Bank SA 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. There were no restricted cash deposits at December 31, 2022.

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

Purchase of subordinate voting shares for cancellation of $305 in 2022 related to the cash paid for the company's purchases for cancellation of 88,776 subordinate voting shares under the terms of its normal course issuer bid that were settled in the year. Purchase of subordinate voting shares of $2,587 in 2021 related to the cash paid for the company's purchases for cancellation of 858,608 subordinate voting shares under the terms of its normal course issuer bid that were settled in the year. Refer to the Book Value per Share section of this MD&A for details.

Contractual Obligations

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

	December 31, 2022[(2)]	
	Total	**Less than 1 year**
HFP 3.0% Debenture – Interest	750	750
HFP 3.0% Debenture – Principal repayment[(1)]	100,000	100,000
Digital Ventures $40M Facility	25,473	25,473
Digital Ventures $1M Facility	637	637
Helios Fund IV Commitment	25,185	25,185
TopCo LP Management Team Commitment	3,778	3,778
Due to related parties	803	803
Accounts payable and accrued liabilities	218	218
	156,844	156,844

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

(2) Subsequent to December 31, 2022, the Event Horizon Loan facility was increased to $4,944. The company also committed to invest $30,000 in Helios Seven Rivers Fund. The $30,000 will be comprised of cash plus the fair value of the company's Other Common Shares on the funding date.

Under the terms of the Investment Advisory Agreement (defined in the Related Party Transactions section later in this MD&A), the company is contractually obligated to pay TopCo LP an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share. The investment and advisory fees recorded within the consolidated statements of loss and comprehensive loss in 2022 was $3,642 (2021 – $4,146).

Under the Investment Advisory Agreement, the period from January 1, 2021 to December 31, 2023 (the "first calculation period") is the first consecutive three-year period for which a performance fee, if applicable, will be payable to TopCo LP. At December 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 – $938) as the Adjusted Book Value per Share of $2.91 (before factoring in the impact of the performance fee) at December 31, 2022 was less than the hurdle per share at that date of $3.27. Refer to the Related Party Transactions section of this MD&A for discussion on the performance fee.

Concentration Risk

The company's investments are primarily concentrated in Africa and in African businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa. As a result, the company's performance is particularly sensitive to economic changes in the countries in Africa in which it invests. 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 results of operations.

The composition of the company's total cash and cash equivalents and Portfolio Investments by industry sector and the regions where the primary underlying risk of the issuer's businesses resides is presented in the following table. The fair values of these investments were allocated based on the issuer's revenue from each region.

	December 31, 2022					**December 31, 2021**				
	North Africa(1)	**Sub-Saharan Africa(2)**	**Pan-Africa(3)**	**Other**	**Total**	**North Africa(1)**	**Sub-Saharan Africa(2)**	**Pan-Africa(3)**	**Other**	**Total**
Cash and cash equivalents	**—**	**20,331**	**—**	**104,910**	**125,241**	—	24,675	—	51,609	76,284
Limited partnership investments:										
Asset management(5)	**—**	**—**	**225,398**	**—**	**225,398**	—	—	250,182	—	250,182
Financial services(4)(5)	**—**	**—**	**10,511**	**—**	**10,511**	—	—	12,092	—	12,092
Insurance(4)(5)	**—**	**—**	**7,095**	**—**	**7,095**	—	—	8,162	—	8,162
Retail and distribution(4)(5)	**16,179**	**—**	**—**	**—**	**16,179**	18,612	—	—	—	18,612
Common shares:										
Food and agriculture	**—**	**13,625**	**—**	**8,239**	**21,864**	—	46,311	—	23,260	69,571
Financial services	**—**	**672**	**—**	**—**	**672**	—	1,288	—	—	1,288
Entertainment	**—**	**—**	**39,219**	**—**	**39,219**	—	—	33,416	—	33,416
Retail and distribution	**17,506**	**—**	**—**	**—**	**17,506**	15,528	—	—	—	15,528
Education	**—**	**25,468**	**—**	**—**	**25,468**	—	38,811	—	—	38,811
Other	**—**	**16,595**	**—**	**—**	**16,595**	—	19,071	10,221	—	29,292
Loans:										
Food and agriculture	**—**	**7,346**	**—**	**11,669**	**19,015**	—	7,219	—	9,726	16,945
Financial services	**7,364**	**7,963**	**—**	**—**	**15,327**	—	6,822	—	—	6,822
Infrastructure	**—**	**17,632**	**—**	**—**	**17,632**	—	18,797	—	—	18,797
Entertainment	**—**	**—**	**—**	**9,473**	**9,473**	—	—	—	—	—
Bonds:										
Financial services	**—**	**—**	**—**	**—**	**—**	—	20,028	—	—	20,028
	41,049	**109,632**	**282,223**	**134,291**	**567,195**	34,140	183,022	314,073	84,595	615,830

(1) North Africa is geographically, the area of the continent of Africa that lies north of the Sahara Desert. It encompasses 8 of Africa's 54 countries.

(2) 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.

(3) Pan-Africa is geographically, the continent of Africa. Investments operating broadly across the continent of Africa are exposed to Pan-African regional risk.

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

(5) A significant portion of the returns of TopCo LP Class A Limited Partnership Interest, TopCo LP Class B Limited Partnership Interest, and Helios Fund IV are tied to the performance of Helios.

The company's loans and bonds are not rated, with no issuer concentration at December 31, 2022 (December 31, 2021 – 32.7% concentrated with one issuer). The company's exposure to credit risk is partially reduced by the company's investment in the HFP Redemption Derivative.

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

- Asset management sector decreased primarily due to unrealized losses on TopCo LP Class A and Class B Limited Partnership Interests.
- Food and agriculture sector decreased primarily due to unrealized losses on the company's Indirect equity interest in AGH and Philafrica common shares.
- Financial services sector decreased primarily due to repayment of the Atlas Mara 7.5% Bonds, assignment of the Atlas Mara Facility, receipt of equalization adjustments and a return of capital from Helios Fund IV, partially offset by the funding of the Digital Ventures $40M Facility and the Digital Ventures $1M Facility.
- Education sector decreased due to an unrealized loss on Indirect equity interest in Nova Pioneer.
- Entertainment sector increased due a net unrealized gain on NBA Africa and the investment in the Event Horizon Loan.
- Infrastructure sector decreased primarily due to foreign exchange losses and the sale of Other Common Shares.
- Insurance sector decreased due to the receipt of equalization adjustments and a return of capital from Helios Fund IV, partially offset by a capital contribution to Helios Fund IV.

The company will not make a Portfolio Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two Portfolio Investments where, after giving effect to each such investment, the total invested amount of each such investment would be equal to or no more than 25.0% of the company's total assets (the "Investment Concentration Restriction").

The company intends to make multiple different investments as part of its prudent investment strategy. Portfolio Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to shareholders. At December 31, 2022 and December 31, 2021, the company determined that it was in compliance with the Investment Concentration Restriction.

Related Party Transactions

Payable to Related Parties

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

	December 31, 2022			December 31, 2021		
	Helios Holdings Group[(1)]	Fairfax	Total	Helios Holdings Group	Fairfax	Total
Investment and advisory fees	**803**	**–**	**803**	1,711	–	1,711
Performance fee	**–**	**–**	**–**	938	–	938
Management services fees	**–**	**–**	**–**	–	400	400
TopCo LP Capital Call	**–**	**–**	**–**	4,718	–	4,718
Other	**–**	**–**	**–**	–	1,036	1,036
	803	**–**	**803**	7,367	1,436	8,803

(1) Investment and advisory fees are paid to TopCo LP.

Investment Advisory Agreement

The company and its subsidiaries are parties to the Investment Advisory Agreement with TopCo LP. TopCo LP has entered into a sub-investment and advisory agreement with the Manager, pursuant to which the Manager was appointed as TopCo LP's sub-advisor for the purposes of the Investment Advisory Agreement. As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital and the fair value of TopCo LP. In 2022, investment and advisory fees recorded within the consolidated statements of loss and comprehensive loss was $3,642 (2021 – $4,146).

Performance Fee

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

Under the Investment Advisory Agreement, the period from January 1, 2021 to December 31, 2023 (the "first calculation period") is the first consecutive three-year period for which a performance fee, if applicable, will be payable to TopCo LP. At December 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 – $938) as the Adjusted Book Value per Share of $2.91 (before factoring in the impact of the performance fee) at December 31, 2022 was less than the hurdle per share at that date of $3.27.

In 2022, a performance fee recovery of $938 (2021 – performance fee of $938) was recorded within the consolidated statements of loss and comprehensive loss.

Management Services Agreement

The company is party to a Management Services Agreement with Fairfax, pursuant to which Fairfax will provide certain services to the company and its subsidiaries on a two-year transitional basis for $1,700 in the first year and $2,125 in the second year, adjusted for discontinued services, paid quarterly in arrears. The two-year transitional period ended on December 8, 2022. In 2022, the services provided by Fairfax under the Management Services Agreement include providing and paying for the compensation of a Corporate Secretary to the company (to March 31, 2022).

The management services fees recorded within the consolidated statements of loss and comprehensive loss at December 31, 2022 were $835 (2021 – $1,832).

TopCo LP Capital Call

On January 7, 2022, the company paid a contribution of $4,718 relating to the Management Team Commitment, which was settled on a net basis with $7,733 receivable from TopCo LP discussed below. Refer to note 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022 for the company's commitments and capital contributions to TopCo LP.

Other Receivables from Related Parties

Other receivables from related parties of $1,319 at December 31, 2022 (December 31, 2021 – $11,002) was primarily comprised of a $1,278 distribution receivable from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during the year. Refer to the Private Portfolio Investments section in note 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022.

Fairfax's Voting Rights and Equity Interest

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

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

Principal Holdco's Voting Rights and Equity Interest

At December 31, 2022 and 2021, Principal Holdco, a Luxembourg holding company indirectly owned by the co-CEOs of the company, owned 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP. At December 31, 2022, in addition to his ownership through Principal Holdco, one of the co-CEOs also directly owned 4,500 subordinate voting shares (December 31, 2021 – 4,500) and indirectly owned 62,000 subordinate voting shares through a holding company (December 31, 2021 – nil).

At December 31, 2022, Principal Holdco's holdings of multiple and subordinate voting shares represented 45.9% of the voting rights and 46.3% of the equity interest in HFP (December 31, 2021 – 45.9% and 46.3%).

Key Management Personnel Compensation

Management Compensation

Compensation for the company's key management personnel for the years ended December 31 was recognized in general and administration expenses in the consolidated statements of loss and comprehensive loss as follows:

	2022	2021
Short-term employee benefits	**1,767**	1,226
Share-based payments	**641**	–
	2,408	1,226

Director Compensation

Compensation for the company's Board of Directors for the years ended December 31 was recognized in general and administration expenses in the consolidated statements of loss and comprehensive loss as follows:

	2022	2021
Retainers and fees	**402**	312
Share-based payments	**240**	124
	642	436

Special Incentive Plan

The company adopted the Special Incentive Plan, pursuant to which options to purchase subordinate voting shares of the company were granted to the SIP Recipients (refer to note 9 (Share-Based Incentive Plans) to the consolidated financial statements for the year ended December 31, 2022).

Long Term Incentive Plan

The company adopted the Long Term Incentive Plan, pursuant to which restricted share units of the company were granted to the LTIP Recipients (refer to note 9 (Share-Based Incentive Plans) to the consolidated financial statements for the year ended December 31, 2022).

Related Party Investment Transactions

Helios Fund IV

On March 31, 2021, the company committed to invest $50,000 in Helios Fund IV. Helios Fund IV is related to HFP by virtue of common key management personnel. The exchange amount of the transaction represented fair value on initial recognition (see notes 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) and 6 (Cash and Investments) to the consolidated financial statements for the year ended December 31, 2022).

Trone Holdings

On December 14, 2021, the company invested $15,528 for a 22.0% equity interest in Trone Holdings. Helios Fund IV, who controls SPV Rayon and the operating businesses of Trone and is a related party of HFP by virtue of common key management personnel, holds the remaining 78.0% equity interest in Trone Holdings. Trone Holdings is a related party of HFP by virtue of common key management personnel and is an associate of the company. The exchange amount of the transaction represented fair value on initial recognition (refer to notes 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) and 6 (Cash and Investments) to the consolidated financial statements for the year ended December 31, 2022).

TopCo LP Management Team Commitment

In December 2021, TopCo LP's limited partnership agreement was amended to commit HFP to contributing no more than 50.0% of either $15,000 or 2.0% of total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV and future Helios Funds ("Management Team Commitment") in exchange for pro rata limited partnership interest not subject to management fees and carried interest. Contributions in excess of this limit require consultation in good faith with the company and with Fairfax Financial Holdings Limited ("Fairfax").

In June 2022, HFP's total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV decreased from 50% to 25% following the final close of Helios Fund IV. In 2022, the company received total distribution of $1,346 from TopCo LP as a result of an equalization adjustment and a return of capital from Helios Fund IV to HIP Equity IV. At December 31, 2022, the company's remaining capital commitment to TopCo LP with respect to the Management Team Commitment was $3,778.

HFP 3.0% Debentures

On March 31, 2021, Fairfax, through its affiliates, invested $100,000 in HFP 3.0% Debentures and HFP Warrants (see note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022).

Related party derivatives and guarantees

Fairfax has issued the HFP Redemption Derivative (refer to note 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022). This related party derivative is recorded in Related party derivatives and guarantees within the consolidated balance sheet.

Fairfax Loan

The company issued the $20,000 interest-free Fairfax Loan to Fairfax, due no later than December 8, 2023 (refer to note 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022).

Related Party Indemnity

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

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, 2022, 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, 2022, 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, 2022. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013). Based on that assessment, the company's management concluded our internal control over financial reporting was not effective as of December 31, 2022 due to the material weakness identified in the previous year as remediation continues. Aside from the remediation, there were no other changes to the design and effectiveness of the company's internal control over financial reporting. A material weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in the annual or interim financial statements will not be prevented or detected on a timely basis.

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

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

During the year, the company continued to be actively engaged in the implementation of remediation efforts to address the material weakness identified in the fourth quarter of 2021. The company has implemented the following measures: (i) hired additional finance personnel with the requisite training, skills and experience appropriate to perform and review the company's valuations (ii) enhanced the review process and communication between HFP and the Helios teams and (iii) engaged external valuation specialists to assist in the formulation and review of existing and future valuation models.

The remediation of the material weakness continues, and this was reviewed with the Audit Committee and the Audit Committee was advised by management that significant progress had been made as at December 31, 2022. Due to the nature of the remediation process, adequate time after implementation is needed to evaluate the design and test the effectiveness of the controls. It is the opinion of the company's management that the material weakness will be fully remediated when the revised control procedures have been operating for a sufficient period of time to provide reasonable assurance as to their effectiveness. The company continues to assign the highest priority to the remediation efforts.

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 that affect the reported amounts of assets, liabilities, income and expenses recorded during the period at the date of the consolidated financial statements. Actual results could differ from those estimates. 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 effects on the company's development of critical accounting estimates are further described below.

Determination of Investment Entity Status

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 and providing investment management services to investors for the purpose of generating returns in the form of long-term capital appreciation remains unchanged; and (ii) the company's most indicative measure of performance continues to be the fair value of its underlying investments.

The company's investment in TopCo LP Class A and Class B Limited Partnership units entitles it to Carried Interest Proceeds and Excess Management Fees (defined later in note 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022) respectively from current and future funds managed by Helios Holdings Group or any of its affiliates (the "Helios Funds"), which are solely driven by the asset management activities of Helios Holdings Group, for which the company does not have any performance obligations. TopCo LP was formed to allow the company to receive cash flows from its entitlement to Carried Interest Proceeds and Excess Management Fees from the underlying Helios Funds as well as returns from contributions to Management Team Commitments (defined later in note 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022) in the underlying Helios Funds. 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.

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 Private Portfolio Investments

The valuations of Private Portfolio Investments are assessed at the end of each reporting period and requires the company to exercise significant judgment when determining the fair value in the absence of quoted market values, the nature of these investments, and change from the acquisition transaction price, such as the 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 the valuation of the company's Private Portfolio 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. Valuation methodologies include discounted cash flow analyses, earnings multiples, industry accepted discounted cash flow and option pricing models, and expected recovery models. There was added uncertainty related to the economic disruption caused by the ongoing conflict in Ukraine and inflation and rising interest rates in the company's development of unobservable inputs. Significant judgments and assumptions were applied such as the timing of future cash flows, exit multiples of invested capital, target exit dates, growth in assets under management, probability weighting on future fundraising initiatives, long term profit margins, discount rates, growth rates, market multiples, net asset values, and other inputs. Additional volatility in the fair values of Private Portfolio Investments may arise in future periods if actual results differ materially from the company's estimates.

Income taxes

The company is subject to income taxes in Canada, the United States, 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 Portfolio Investments 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. 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 external specialist tax personnel who assist the company with its assessment of the income tax consequences of planned transactions and the undertaking of 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 (Income Taxes) to the consolidated financial statements for the year ended December 31, 2022 should not be recognized as an asset as it was considered not probable that those losses could be utilized by the company.

Significant Accounting Policy Changes

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

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 as follows:

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. The amendments are to be applied retrospectively to annual reporting periods beginning on or after January 1, 2024. The company is currently evaluating the expected impact of these amendments on its consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021, the IASB issued amendments to IAS 12 *Income Taxes* to clarify how companies account for deferred tax on transactions that give rise to equal taxable and deductible temporary differences. The amendments preclude the use of the initial recognition exemption on such transactions and are effective for annual periods beginning on or after January 1, 2023 with early application permitted. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements and* IFRS Practice Statement 2 *Making Materiality Judgments* to help entities decide which accounting policies to disclose in their financial statements. The amendments are applied prospectively on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to help entities distinguish between accounting policies and accounting estimates. The amendments are applied prospectively to changes in accounting estimates and changes in accounting policies occurring on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Risk Management

Overview

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 become important factors that affect the company's future financial conditions and results of operations. The company, its consolidated subsidiaries, and the Manager monitor these risks on an on-going basis and take actions as needed to mitigate their impact. For additional 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.

Risks

Conflict in Ukraine

The conflict in Ukraine is ongoing, with countries around the world, largely led by western nations, continuing to impose economic sanctions against Russia, including bans on the import of Russian oil and natural gas by certain countries including Canada and the United States. As a result of these measures, the price of energy, including gas and diesel, has increased around the world and remained volatile even as governments work to find alternate sources of power.

According to the World Economic Outlook (January 2023) published by the International Monetary Fund ("IMF"), the conflict in Ukraine continues to destabilize the global economy, slowing growth and increasing inflation. Global GDP growth is expected to be 2.9% in 2023 and rise to 3.1% in 2024. The 2023 expected growth rate largely reflects the continuing impacts of the conflict in Ukraine, with the supply-demand imbalance for Russia and Ukraine's key exports of oil, gas, metals, wheat and corn resulting in rising global inflation driven by the increase in food and fuel prices. The ongoing conflict is also compounding the supply chain disruptions created by and not fully recovered from the COVID-19 pandemic.

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.

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.

For example, rising interest rates have the potential to impact discount rates used in the company's valuations of Private Portfolio Investments and could also impact foreign exchange risk as currencies appreciate or depreciate depending on local monetary policy responses. A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, and/or increase volatility of financial markets (such as the recent volatility of the banking sector), could also have a material adverse effect on the company's business, financial condition, results of operations, and cash flows. 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 and cash equivalents. 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 Advisor and 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. 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 Portfolio 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

For the purposes of IFRS-compliant financial reporting, the company's financial assets and liabilities will be 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 hierarchical 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. The company's results of operations, financial condition, and liquidity could be materially adversely affected by such legal risks.

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 these investments are expected to be principally 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 Portfolio 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 5 (Portfolio Investments and Related Party Loan, Derivatives and Guarantees) to the consolidated financial statements for the year ended December 31, 2022. 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 22, 2023, Fairfax and its affiliates hold a 53.3% and 32.6% voting and equity interest, respectively, in the company through ownership of 30,000,000 issued and outstanding multiple voting shares and 5,302,912 subordinate voting shares.

As of March 22, 2023, Principal Holdco and its affiliates hold a 45.9% and 46.3% 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 Portfolio 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 licenses, 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.

Climate Change, Natural Disaster, and Weather Risks

The occurrence of natural disasters, including fires, droughts, severe weather, insect infestations, explosions and pandemic diseases, could adversely affect returns from Portfolio Investments and, in turn, the company, as certain Portfolio Investments are operating in industries exposed to climate change risk. The revenue of these portfolio companies may be adversely affected during a period of severe weather conditions in Africa. Because weather and other events are by their nature unpredictable, historical results of operations of certain Portfolio Investments may not be indicative of its future results of operations. As a result of the occurrence of one or more major weather catastrophes, natural disaster or other climate change event in any given period, the expected returns from Portfolio Investments impacted by such risks 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, South Africa, and the United States. 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 external specialist tax personnel who assist the company with its assessment of the income tax consequences of planned transactions and the undertaking of appropriate tax planning. 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. As this process is ongoing, certain recommendations have already been implemented and others continue to be considered, by way of example, rules may be introduced to impose taxes on cross-border e-commerce trade in line with the OECD proposals.

With regard to the recommendations that have been adopted, the corporate income tax rate will be lowered to 27 per cent for companies with years of assessment commencing on or after March 31, 2023. The reduction of the corporate income tax rate is to be implemented alongside a broadening of the corporate income tax base by limiting interest deductions and assessed losses, reducing the availability of tax incentives. Section 23M of the South African Income Tax Act has been amended to broaden the application of the interest limitation rules. The revised section 23M will come into effect for taxpayers with years of assessments ending on or after March 31, 2023. Similarly, the offset of the balance of assessed losses carried forward to the greater of R1 million or 80% of taxable income will come into effect for taxpayers with years of assessments ending on or after March 31, 2023.

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.

Canada

In February 2022, the Department of Finance Canada released for public comment draft legislative proposals which, if enacted, may limit the deductibility of interest and financing expenses for Canadian tax purposes. In November 2022, a revised version of the draft legislation was released, which delayed the effective date by one year and made a number of technical corrections to the initial draft legislation. The draft legislative proposals are generally intended to apply in respect of taxation years beginning on or after October 1, 2023. The company will continue to monitor the BEPS and interest deductibility limitation proposals and any impact on the company, which may result in an increase in future taxes and an adverse effect on the Company. No assurance can be given that the applicable tax laws or the interpretation thereof will not change or that new taxes will not be implemented which would adversely affect the company.

Permanent Establishment

Certain members of the Company's Board and senior management team are based in the United Kingdom ("UK"), from where they may conduct some of their duties for the Company. These UK-based activities mean that there is a risk that the Company may be viewed as having a taxable presence in the UK as a consequence of being viewed as either (a) UK tax resident by virtue of the Company's central management and control being undertaken from the UK; or (b) having a permanent establishment in the UK. The Company is currently reviewing the activity of its UK-based personnel to assess this risk in further detail and determine whether remedial action needs to be undertaken.

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. Canada, together with approximately 140 other countries comprising the Organization for Economic Co-operation and Development ("OECD") and the G20 Inclusive Framework on BEPS, approved in principle in 2021 certain base erosion tax initiatives, including the introduction of a 15% global minimum tax which is intended to be effective in 2023. Canada has not yet released any domestic legislation in respect of the introduction of the global minimum tax. OECD has 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. South Africa, Mauritius, and Canada (along with 97 other jurisdictions as of February 28, 2022) are signatories to the MLI, and deposited their instruments of ratification with the OECD in 2019 or later. The MLI entered into force for Mauritius on February 1, 2020. South Africa deposited its instrument of ratification with the OECD in 2022.

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)

US$ thousands, except per share amounts

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2022					
Income (loss)	1,465	(30,207)	(21,551)	28,237	(22,056)
Expenses	4,288	5,042	4,373	7,217	20,920
Provision for income taxes	112	1,166	3,047	3,476	7,801
Net earnings (loss)	(2,935)	(36,415)	(28,971)	17,544	(50,777)
Net earnings (loss) per share (basic and diluted)	$ (0.03)	$ (0.34)	$ (0.27)	$ 0.16	$ (0.47)
2021					
Income (loss)	801	2,502	(8,788)	2,208	(3,277)
Expenses	10,538	5,947	2,353	5,581	24,419
Provision for (recovery of) income taxes	1,412	(3,500)	2,441	(2,127)	(1,774)
Net earnings (loss)	(11,149)	55	(13,582)	(1,246)	(25,922)
Net loss per share (basic and diluted)	$ (0.10)	$ –	$ (0.12)	$ (0.01)	$ (0.24)

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 earnings in the fourth quarter of 2022 was primarily due to net change in unrealized gains on investments, reversal of prior period unrealized losses, and net foreign exchange gains, the timing of which are not predictable, partially offset by general and administration expenses, interest expense, and investment and advisory fees. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's Portfolio Investments which may result in higher performance fees, if applicable, and investment and advisory fees.

Stock Prices and Share Information

At March 22, 2023 the company had 52,741,106 subordinate voting shares and 55,452,865 multiple voting shares outstanding (an aggregate of 108,193,971 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. 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 Principal Holdco, through their respective subsidiaries and affiliates, own all the issued and outstanding multiple voting shares, which are not publicly traded.

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. 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.

Glossary of Non-GAAP and Other Financial Measures

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

Supplementary Financial Measures

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

Non-GAAP Financial Measures

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

Cash provided by (used in) operating activities excluding net disposals (purchases) of investments, receipt of equalization capital adjustments, receipt of returns of capital and Excess Management Fees, and receipt of carried interest – 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, and general and administration expenses, and excludes the impact of purchases and sales of investments, receipt of equalization capital adjustment, receipt of returns of capital and Excess Management Fees, and receipt of carried interest.

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

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

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.

As more fully described in the accompanying MD&A, based on management's assessment of the company's internal control over financial reporting ("ICFR") using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013), it was concluded that the company did not maintain effective processes and controls over the completeness and accuracy of inputs and the reasonableness of assumptions used in its level 3 valuation process. This was determined to be a material weakness and could result in misstatements of the company's financial statement accounts and disclosures that could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

The 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 22, 2023

Tope Lawani
Co-Chief Executive Officer

Babatunde Soyoye
Co-Chief Executive Officer

Belinda Blades
Chief Financial Officer

Independent auditor's report

To the Shareholders of Helios Fairfax Partners 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) as at December 31, 2022 and 2021, 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, 2022 and December 31, 2021;
- the consolidated statements of loss and comprehensive 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, 2022. 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

Valuation of Certain Private Portfolio Investments

Refer to Note 3 – Summary of Significant Accounting Policies, Note 4 – Critical Accounting Estimates and Judgments, Note 5 – Portfolio Investments and Related Party Loan, Derivatives and Guarantees, and Note 6 – Cash and Investments to the Consolidated Financial Statements. (All numbers are in thousands)

The Company held financial instruments categorized as Private Investments measured at fair value of $425,359 as at December 31, 2022, of which the majority related to certain limited partnership investments and certain common shares valued by management using discounted cash flow models that use significant unobservable inputs. The valuation of these financial instruments required management to exercise significant judgment when determining the fair value in the absence of quoted market values.

Limited partnership investments include TopCo LP limited partnership interests, which consist of TopCo LP Class A Limited Partnership Interest (TopCo A) and TopCo LP Class B Limited Partnership Interest (TopCo B). TopCo A was valued by management using a discounted cash flow model. Significant unobservable inputs included the discount rate, target exit dates and exit multiples of invested capital of the Helios Funds. TopCo B was valued by management using a discounted cash flow model. Significant unobservable inputs included the discount rate, growth in assets under management, long term pre-tax profit margin and long term growth rate.

Certain common shares were valued by management using discounted cash flow models. Significant unobservable inputs included after-tax discount rates, and terminal revenue multiple.

We considered this a key audit matter due to (i) the significance of the Private Investments valued by management using discounted cash flow models and (ii) the significant judgment required by management in determining the fair value estimates of these Private Investments including the significant unobservable inputs. This has resulted in a high degree of auditor subjectivity, judgment and effort in performing procedures relating to the valuation of these Private Investments. Professionals with specialized skills and knowledge in the field of valuation assisted us in performing our procedures.

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 certain Private Investments, which included the following:
  - For TopCo A:
    - With the assistance of professionals with specialized skill and knowledge in the field of valuation, assessed the appropriateness of the discounted cash flow model and the reasonableness of the discount rate used in the model.
    - Evaluated the reasonableness of target exit dates and exit multiples of invested capital of the Helios Funds, by considering, as applicable:
      - current and past performance of the Helios Funds and certain underlying investments held by the Helios Funds;
      - past holding periods for the Helios Funds and certain underlying investments held by the Helios Funds;
      - relevant external market and industry data, including peer data; and
      - for a sample of the underlying investments held by the Helios Funds, professionals with specialized skill and knowledge in the field of valuation also assisted us in our assessment of the exit multiples of invested capital.
    - Tested significant data used in the model.
    - Tested the mathematical accuracy of the calculation.
  - For TopCo B:
    - With the assistance of professionals with specialized skill and knowledge in the field of valuation, assessed the appropriateness of the discounted cash flow model and the reasonableness of the discount rate, long term pre-tax profit margin and long term growth rate used in the model.
    - Evaluated the reasonableness of growth in assets under management, by considering:
      - current and past performance of the underlying Helios Funds, historical ability to raise capital, and the overall historical growth in assets under management; and

Key audit matter	How our audit addressed the key audit matter
	• relevant external market and industry data, including peer data. • Tested significant data used in the model. • Tested the mathematical accuracy of the calculation. • For certain common shares that were valued using a discounted cash flow model: • With the assistance of professionals with specialized skill and knowledge in the field of valuation, assessed the appropriateness of the discounted cash flow model and the reasonableness of the after-tax discount rate and terminal revenue multiple used in the calculation. • Tested significant data used in the model. • Tested the mathematical accuracy of the calculation. • Evaluated the disclosures made in the consolidated financial statements, including the sensitivity analysis related to significant unobservable inputs used in the discounted cash flow models.

Other information

Management is responsible for the other information. The other information comprises 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.

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 Catriona Read.

PricewaterhouseCoopers

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 22, 2023

Consolidated Financial Statements

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

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	6, 18	**125,241**	76,284
Portfolio Investments	5, 6, 13	**441,954**	539,546
Related party derivatives and guarantees	5, 6, 13	**62,136**	47,952
Related party loan	5, 6, 13	**19,030**	19,608
Total cash and investments		**648,361**	683,390
Interest receivable		**405**	2,978
Income tax refundable	11	**1,695**	5,632
Other receivables from related parties	13	**1,319**	11,002
Other assets	14	**832**	1,390
Total assets		**652,612**	704,392
Liabilities			
Accounts payable and accrued liabilities		**218**	136
Automatic share purchase plan liability	8	**–**	500
Payable to related parties	13	**803**	8,803
Deferred income taxes	11	**8,058**	4,419
Borrowings	7	**99,226**	98,632
Total liabilities		**108,305**	112,490
Equity			
Common shareholders' equity	8	**544,307**	591,902
		652,612	704,392

See accompanying notes.

Signed on behalf of the Board

Director

Director

Consolidated Statements of Loss and Comprehensive Loss
for the years ended December 31, 2022 and 2021
(US$ thousands except per share amounts)

	Notes	2022	2021
Income			
Interest	6	**8,997**	139
Dividends	6	**950**	714
Net realized gains (losses) on investments	6	**28,736**	(21,247)
Net change in unrealized gains (losses) on investments	6	**(51,925)**	30,024
Net foreign exchange losses	6	**(8,814)**	(12,907)
		(22,056)	(3,277)
Expenses			
Investment and advisory fees	13	**3,642**	4,146
Performance fee (recovery)	13	**(938)**	938
General and administration expenses	13, 16	**14,623**	10,562
Loss on uncollectible accounts receivable	14	**–**	6,073
Interest expense	7	**3,593**	2,700
		20,920	24,419
Loss before income taxes		**(42,976)**	(27,696)
Provision for (recovery of) income taxes	11	**7,801**	(1,774)
Net loss and comprehensive loss		**(50,777)**	(25,922)
Net loss per share	10	**$ (0.47)**	$ (0.24)
Shares outstanding (weighted average)	10	**108,193,971**	109,071,609

See accompanying notes.

Consolidated Statements of Changes in Equity
for the years ended December 31, 2022 and 2021
(US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Warrants	Contributed surplus	Retained earnings (deficit)	Common share-holders' equity
Balance as of January 1, 2022	**432,370**	**439,904**	**5,562**	**5,557**	**24,337**	**(315,828)**	**591,902**
Net loss	**–**	**–**	**–**	**–**	**–**	**(50,777)**	**(50,777)**
Issuances (note 8)	**–**	**–**	**72**	**–**	**–**	**–**	**72**
Purchases for cancellation (note 8)	**(722)**	**–**	**–**	**–**	**–**	**417**	**(305)**
Amortization of share-based payments (note 8)	**–**	**–**	**2,741**	**–**	**–**	**–**	**2,741**
Automatic share purchase plan commitment (note 8)	**1,319**	**–**	**–**	**–**	**–**	**(819)**	**500**
Tax expense on equity transactions (note 11)	**(4)**	**–**	**–**	**–**	**178**	**–**	**174**
Balance as of December 31, 2022	**432,963**	**439,904**	**8,375**	**5,557**	**24,515**	**(367,007)**	**544,307**
Balance as of January 1, 2021	440,663	439,904	5,438	–	8,855	(295,125)	599,735
Net loss	–	–	–	–	–	(25,922)	(25,922)
Issuances (note 8)	–	–	–	5,557	–	–	5,557
Purchases for cancellation (note 8)	(6,987)	–	–	–	–	4,400	(2,587)
Amortization of share-based payments (note 8)	–	–	124	–	–	–	124
Automatic share purchase plan commitment (note 8)	(1,319)	–	–	–	–	819	(500)
Capital contributions (note 8)	–	–	–	–	18,107	–	18,107
Tax expense on equity transactions (note 11)	13	–	–	–	(2,625)	–	(2,612)
Balance as of December 31, 2021	432,370	439,904	5,562	5,557	24,337	(315,828)	591,902

See accompanying notes.

Consolidated Statements of Cash Flows
for the years ended December 31, 2022 and 2021
(US$ thousands)

	Notes	2022	2021
Operating activities			
Net loss		**(50,777)**	(25,922)
Items not affecting cash and cash equivalents:			
Net bond discount accretion		**(310)**	(353)
Capitalized interest on loans and bonds	5	**(3,109)**	(730)
Performance fee (recovery)	13	**(938)**	938
Loss on uncollectible accounts receivable	14	**–**	6,073
Deferred income taxes	11	**3,690**	1,898
Amortization of share-based payment awards	9	**2,741**	124
Issuance of share-based payment awards	9	**72**	–
Net realized (gains) losses on investments	6	**(28,736)**	21,247
Net change in unrealized (gains) losses on investments	6	**51,925**	(30,024)
Net foreign exchange losses	6	**8,814**	12,907
Purchases of investments	5, 18	**(32,689)**	(87,095)
Disposals of investments	5, 18	**34,629**	18,758
Receipt of equalization capital adjustments	5, 18	**5,402**	–
Receipt of returns of capital and Excess Management Fees	5, 18	**8,174**	–
Receipt of carried interest	5, 18	**11,341**	–
Settlement of guarantee liability	14	**–**	(8,474)
Settlement of guarantee asset	13	**33,424**	13,495
Recovery of guaranteed amounts	14	**602**	3,660
Decrease (increase) in restricted cash deposits	13	**–**	7,525
Changes in operating assets and liabilities:			
Interest receivable		**2,573**	1,884
Accounts payable and accrued liabilities		**82**	(6,845)
Other receivables from related parties		**818**	(8,593)
Income taxes refundable		**3,937**	(6,031)
Payable to related parties		**(2,344)**	(513)
Other		**511**	195
Cash provided by (used in) operating activities		**49,832**	(85,876)
Financing activities			
Proceeds from borrowings	7	**–**	100,000
Subordinate voting shares – purchases for cancellation		**(305)**	(2,587)
Cash provided by (used in) financing activities		**(305)**	97,413
Increase in cash and cash equivalents		**49,527**	11,537
Cash and cash equivalents – beginning of year		**76,284**	66,052
Foreign currency translation		**(570)**	(1,305)
Cash and cash equivalents – end of year	18	**125,241**	76,284

See accompanying notes.

Index to Notes to Consolidated Financial Statements

1. Business Operations

Helios Fairfax Partners Corporation ("the company" or "HFP") is an investment holding company whose objective is to achieve long-term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in Africa and African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa ("Portfolio Investments"). Generally, subject to compliance with applicable law, the company will make Portfolio Investments with a view to acquiring control or significant influence positions.

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

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

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

2. Basis of Presentation

The company's consolidated financial statements for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). At December 31, 2022, the company has determined that it continues to meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* ("IFRS 10") as its strategic objective of investing in Portfolio Investments and providing investment management services to investors for the purpose of generating returns in the form of long-term capital appreciation, investment income, or both, remains unchanged. As a result, HFP's investments in subsidiaries are measured at fair value through profit (loss) ("FVTPL") rather than through consolidation (other than those subsidiaries that provide services to the company).

The company has determined that SA Sub and Mauritius Sub are not investment entities. Their main purpose and activities are providing investment related services to the company and should therefore continue to be consolidated. All intercompany balances, profits and transactions with consolidated subsidiaries are fully eliminated.

The company accounts for its investments held by its other subsidiaries (HFP US Investments, Inc. ("U.S. Holdco"), Joseph Investment Holdings ("Joseph Holdings") and Ascendant Learning Limited ("Ascendant")) at FVTPL rather than by consolidation. The company accounts for its investments in associates (Trone Investment Holdings Limited ("Trone Holdings"), Philafrica Foods Proprietary Ltd. ("Philafrica"), Helios Fund IV, and TopCo LP) at FVTPL rather than under the equity method of accounting.

These consolidated financial statements were approved for issue by the company's Board of Directors on March 21, 2023.

3. 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 (other than those subsidiaries that provide services related to the investment entity's investment activities) at FVTPL rather than consolidate them.

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 Portfolio 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. The company's determination of its investment entity status was a critical accounting judgment and is discussed further in note 4.

Foreign currency translation

The consolidated financial statements are presented in U.S. dollars which is the functional currency of the company and its consolidated subsidiaries as it is the currency of the primary economic environment in which it operates.

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

Total cash and investments

Recognition and initial 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 receivables from related parties, other assets, accounts payable and accrued liabilities, and payable to related parties. The company measures cash and investments at fair value upon initial recognition.

Classification – Portfolio Investments (comprised of limited partnership interests, loans, bonds, and common stocks), derivatives and guarantees, and related party loans 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.

Subsequent measurement – 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, as described below:

Interest

Interest represents interest income on cash and cash equivalents, loans, and bonds. For 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 receivable is shown separately on the consolidated balance sheets based on the debt instruments' stated rates of interest.

Dividends

Dividends represent dividends received on common and preferred stock holdings and are recognized when the company's right to receive payment is established.

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.

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

Transaction costs – Costs incurred when purchasing investments that are classified at FVTPL are expensed as incurred in the consolidated statements of earnings (loss) and comprehensive income (loss).

Fair value

Fair value is the price that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction (i.e., an exit price) between market participants at the measurement date. In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. The company's financial assets and their determination of fair value is as follows:

a. **Cash and cash equivalents** – Cash and cash equivalents consist 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.

b. **Portfolio Investments**

   i. *Common shares* – The fair values of the company's investments in publicly traded common shares are determined using the bid prices of those investments (without adjustments or discounts) and the company's investments in privately held common shares are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary.

   ii. *Limited partnership interests* – The fair values of the company's investments in limited partnership interests are determined using industry accepted valuation techniques and models or net asset values, adjusted where applicable. Market observable inputs are used where possible, with unobservable inputs used where necessary. Distributions are recognized as a reduction in the fair value of the investment when the company's right to receive payment is established.

   iii. *Loans and bonds* – Loans and bonds are lending arrangements with public or private African businesses. The fair values are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. The carrying value of loans and bonds excludes the debt instrument's accrued interest receivable at the stated rate of interest.

c. Derivatives – Derivatives derive their value primarily from changes in underlying financial instruments. The fair values of derivatives are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. The fair value of derivatives in a gain position are presented on the consolidated balance sheets within related party derivatives and guarantees while those in a loss position, if any, are presented in derivative obligations. 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).

d. Guarantees – 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. The fair values of guarantees are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Changes in the fair value of guarantees are recorded within net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss) and comprehensive income (loss).

e. **Related party loans** – Related party loans are lending arrangements with related parties. The fair values are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. The carrying value of related party loans excludes the debt instrument's accrued interest receivable at the stated rate of interest.

Fair value hierarchy

Fair values for substantially all of the company's investments are measured using market or income approaches. 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 Portfolio 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 privately held investments ("Private Portfolio Investments") are based on discounted cash flow analyses, market multiples, expected recovery and industry accepted discounted cash flow and option pricing models which utilize inputs that are not market observable such as discount rates, target exit timings and multiples of invested capital, growth in assets under management, probability weighting on future fundraising initiatives, long term pre-tax profit margins, long term growth rates, expected recovery rates, historical share price volatilities, share prices, credit spreads, market multiples, and net asset values.

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

Related party transactions

Related party transactions include those between the company and shareholders with control or significant influence, the company's subsidiaries and associates, and entities under common control. The company also considers key management personnel and the Board of Directors to be related parties.

To the extent that the exchange amount of 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.

Performance fees

Performance fees are estimated and accrued at the end of each reporting period within the calculation period and expensed as incurred. 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.

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. 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 Portfolio 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 interest expense in the consolidated statements of earnings (loss) and comprehensive income (loss). Debt issuance costs are amortized over the term of the related debt agreement into interest expense using the effective interest rate method.

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.

Warrants

Warrants issued by the company are classified as equity when there is no contractual obligation to transfer cash or other financial assets to the holder of the warrants, or if the warrants will or may be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Warrants are measured at fair value at inception and are not subsequently remeasured.

Hybrid contracts

Hybrid contracts are comprised of a non-derivative host contract and an embedded derivative. At inception, the company will bifurcate an embedded derivative from a non-derivative host contract that is not a financial asset within the scope of IFRS 9 if the economic characteristics and risks of the two are not closely related, the embedded derivative meets the definition of a derivative on a standalone basis, and the company has not irrevocably designated the entire hybrid contract as measured at FVTPL. The bifurcated non-derivative host contract and embedded derivative are recognized and measured in accordance with their respective accounting policies.

Share-based compensation

The company applies the fair value method of accounting for share-based compensation. The company has made certain share-based awards to its directors and employees with vesting periods of up to five years from the date of grant, including a special incentive plan (the "Special Incentive Plan" or "SIP") and a long-term incentive plan (the "Long-Term Incentive Plan" or "LTIP").

Pursuant to the Special Incentive Plan, options to purchase subordinate voting shares of the company were granted to the SIP Recipients. Options issued under the Special Incentive Plan vest immediately on grant date. The fair values at grant date of options are estimated using an industry accepted option pricing model.

The Long-Term Incentive Plan allows the company's Board of Directors or the Governance, Compensation and Nominating Committee to grant long-term incentives to certain recipients, including directors, officers and employees of the company and its affiliates, certain consultants and service providers, and employees and members of the Manager or an affiliate thereof that provides services to the Portfolio Advisor or any related entity of the Portfolio Advisor for the benefit of the company. Awards granted under the LTIP may consist of options, restricted shares, stock appreciation rights, restricted share units, deferred share units or performance share units.

Compensation costs relating to the share-based and option awards are recognized as salaries and employee benefit expenses and are included in general and administration expenses in the consolidated statements of earnings (loss) and comprehensive income (loss) based on the expected vesting period of the share-based compensation.

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.

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 warrants, and the contingently issuable subordinate voting shares relating to the performance fee payable to TopCo LP for the benefit of the Manager 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 2022

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 are considered when assessing whether to derecognize a financial liability. Adoption of this amendment on January 1, 2022 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, 2022. The company does not expect to adopt any of them in advance of their respective effective dates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021, the IASB issued amendments to IAS 12 *Income Taxes* to clarify how companies account for deferred tax on transactions that give rise to equal taxable and deductible temporary differences. The amendments preclude the use of the initial recognition exemption on such transactions and are effective for annual periods beginning on or after January 1, 2023 with early application permitted. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements and* IFRS Practice Statement 2 *Making Materiality Judgments* to help entities decide which accounting policies to disclose in their financial statements. The amendments are applied prospectively on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to help entities distinguish between accounting policies and accounting estimates. The amendments are applied prospectively to changes in accounting estimates and changes in accounting policies occurring on or after January 1, 2023 and are 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. The amendments are to be applied retrospectively to annual reporting periods beginning on or after January 1, 2024. The company is currently evaluating the expected impact of these amendments on its consolidated financial statements.

4. 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 that affect the reported amounts of assets, liabilities, income and expenses recorded during the period at the date of the consolidated financial statements. Actual results could differ from those estimates. 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 effects on the company's development of critical accounting estimates are further described below.

Determination of Investment Entity Status

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 and providing investment management services to investors for the purpose of generating returns in the form of long-term capital appreciation remains unchanged; and (ii) the company's most indicative measure of performance continues to be the fair value of its underlying investments.

The company's investment in TopCo LP Class A and Class B Limited Partnership units entitles it to Carried Interest Proceeds and Excess Management Fees (defined later in note 5) respectively from current and future funds managed by Helios Holdings Limited ("HHL", together with one or more of its affiliates, as the context requires, the "Helios Holdings Group") or any of its affiliates (the "Helios Funds"), which are solely driven by the asset management activities of Helios Holdings Group, for which the company does not have any performance obligations. TopCo LP was formed to allow the company to receive cash flows from its entitlement to Carried Interest Proceeds and Excess Management Fees from the underlying Helios Funds as well as returns from contributions to Management Team Commitments (defined later in note 5) in the underlying Helios Funds. 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.

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 Private Portfolio Investments

The valuations of Private Portfolio Investments are assessed at the end of each reporting period and requires the company to exercise significant judgment when determining the fair value in the absence of quoted market values, the nature of these investments, and change from the acquisition transaction price, such as the 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 the valuation of the company's Private Portfolio 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. Valuation methodologies include discounted cash flow analyses, earnings multiples, industry accepted discounted cash flow and option pricing models, and expected recovery models. There was added uncertainty related to the economic disruption caused by the ongoing conflict in Ukraine and inflation and rising interest rates in the company's development of unobservable inputs. Significant judgments and assumptions were applied such as the timing of future cash flows, exit multiples of invested capital, target exit dates, growth in assets under management, probability weighting on future fundraising initiatives, long term profit margins, discount rates, growth rates, market multiples, net asset values, and other inputs. Additional volatility in the fair values of Private Portfolio Investments may arise in future periods if actual results differ materially from the company's estimates.

Income taxes

The company is subject to income taxes in Canada, the United States, 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 Portfolio Investments 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. 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 external specialist tax personnel who assist the company with its assessment of the income tax consequences of planned transactions and the undertaking of 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.

5. Portfolio Investments and Related Party Loan, Derivatives and Guarantees

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

A summary of changes in the fair value of the company's Public and Private Portfolio Investments during 2022 and 2021 is as follows:

	2022						
	Balance as of January 1	**Purchases / Contributions(1)**	**Sales / Distributions / Redemptions / Conversions**	**Net realized gains (losses) on investments**	**Net change in unrealized gains (losses) on investments(2)**	**Net foreign exchange gain (losses) on investments**	**Balance as of December 31**
Portfolio Investments:							
Public Investments:							
Common shares	**29,292**	**–**	**(10,264)**	**5,197**	**(6,506)**	**(1,124)**	**16,595**
Total Public Investments	**29,292**	**–**	**(10,264)**	**5,197**	**(6,506)**	**(1,124)**	**16,595**
Private Investments:							
Limited partnership investments:							
TopCo LP limited partnership interests	**250,182**	**478**	**(6,232)**	**–**	**(19,030)**	**–**	**225,398**
Helios Fund IV limited partnership interest	**38,866**	**3,184**	**(9,820)**	**–**	**1,555**	**–**	**33,785**
Common shares	**158,614**	**75**	**–**	**–**	**(49,040)**	**(4,920)**	**104,729**
Loans	**42,564**	**27,452**	**(4,366)**	**(9,885)**	**7,720**	**(2,038)**	**61,447**
Bonds	**20,028**	**–**	**(20,000)**	**–**	**(28)**	**–**	**–**
Total Private Investments	**510,254**	**31,189**	**(40,418)**	**(9,885)**	**(58,823)**	**(6,958)**	**425,359**
Total Portfolio Investments	**539,546**	**31,189**	**(50,682)**	**(4,688)**	**(65,329)**	**(8,082)**	**441,954**

(1) Inclusive of capitalized interest recorded in interest within the consolidated statement of loss and comprehensive loss.

(2) Net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period, except for reversal of prior period unrealized gains upon disposition of certain Other Common Shares ($4,532) and reversal of prior period unrealized losses upon assignment of the Atlas Mara Facility ($7,907).

	2021						
	Balance as of January 1	**Purchases / Contributions(1)**	**Sales / Distributions / Redemptions / Conversions**	**Net realized gains (losses) on investments**	**Net change in unrealized gains (losses) on investments(2)**	**Net foreign exchange losses on investments**	**Balance as of December 31**
Portfolio Investments:							
Public Investments:							
Common shares	14,836	5,812	(7,433)	3,579	13,290	(792)	29,292
Total Public Investments	14,836	5,812	(7,433)	3,579	13,290	(792)	29,292
Private Investments:							
Limited partnership investments:							
TopCo limited partnership interests	275,299	4,718	(8,221)	–	(21,614)	–	250,182
Helios Fund IV limited partnership interest	–	31,967	–	–	6,899	–	38,866
Common shares	74,674	45,592	38,811	–	7,855	(8,318)	158,614
Loans	56,764	10,420	(11,325)	(16,388)	5,307	(2,214)	42,564
Bonds	58,829	–	(34,711)	(9,541)	5,451	–	20,028
Total Private Investments	465,566	92,697	(15,446)	(25,929)	3,898	(10,532)	510,254
Total Portfolio Investments	480,402	98,509	(22,879)	(22,350)	17,188	(11,324)	539,546

(1) *Inclusive of capitalized interest recorded in interest within the consolidated statement of loss and comprehensive loss.*

(2) *Net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period, except for reversal of prior period unrealized losses upon partial repayment of the Atlas Mara Facility ($7,905) and conversion of the Nova Pioneer Bonds ($7,831), and reversal of prior period unrealized gains upon disposition of certain Other Common Shares ($626).*

Public Portfolio Investments

The company's Public Portfolio Investments are as follows:

Common Shares

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

At December 31, 2022, the fair value of the company's investment in Other Common Shares was $16,595 (December 31, 2021 – $29,292), determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Private Portfolio Investments

The company's Private Portfolio Investments are as follows:

Limited Partnership Investments

TopCo LP

At December 31, 2022 and December 31, 2021, HFP held all of the issued and outstanding Class A and Class B Limited Partnership Interests of TopCo LP, a limited partnership established under the laws of Guernsey and controlled by its general partner, HFA GP (Guernsey) Limited, an affiliate of HHL.

HFP is entitled to receive Carried Interest Proceeds received by TopCo LP, through its ownership of TopCo LP Class A Limited Partnership Interests, when relevant amounts become available for distribution. The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent it has received Carried Interest Proceeds and a clawback is required. At December 31, 2022 and December 31, 2021, the company was not subject to any clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest.

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

In December 2021, TopCo LP's limited partnership agreement was amended to commit HFP to contributing no more than 50.0% of either $15,000 or 2.0% of total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV and future Helios Funds ("Management Team Commitment") in exchange for pro rata limited partnership interest not subject to management fees and carried interest. Contributions in excess of this limit require consultation in good faith with the company and with Fairfax. This commitment is funded from capital contributed via HFP's TopCo LP Class A Limited Partnership Interest. In June 2022, HFP's total commitments to TopCo LP in respect of Management Team Commitments for Helios Fund IV decreased from 50% to 25% following the final close of Helios Fund IV. At December 31, 2022, HFP's net capital contribution to TopCo LP in respect of Management Team Commitments represents an indirect equity interest of 2% in Helios Fund IV (December 31, 2021 – 3%).

TopCo LP is a limited partner of HIP Equity IV, L.P. ("HIP Equity IV"), which is the general partner of Helios Fund IV. In 2022, the company received total distributions of $1,346 from TopCo LP as a result of an equalization adjustment and a return of capital from Helios Fund IV to HIP Equity IV and made total capital contributions of $478 to Helios Fund IV through HIP Equity IV related to the management team commitment. At December 31, 2022, the company's remaining capital commitment to TopCo LP with respect to the Management Team Commitment was $3,778.

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

At December 31, 2022, the company recognized a distribution receivable from its TopCo LP Class B Limited Partnership Interest of $1,278, which reflected Excess Management Fees earned during 2022. Accordingly, the company recorded a reduction in the valuation of TopCo LP Class B Limited Partnership Interest and a receivable from related parties of $1,278.

In 2021, the company earned Excess Management Fees of $2,410 through its TopCo LP Class B Limited Partnership Interest and recognized a distribution receivable at December 31, 2021. The amount was received in 2022.

At December 31, 2022, the fair value of the company's investment in TopCo LP Limited Partnership Interests was $225,398 (December 31, 2021 – $250,182).

Helios Fund IV

On March 31, 2021, the company committed to invest $50,000 in Helios Fund IV, a limited partnership based in the Cayman Islands. As agreed with the Helios Fund IV GP, the company was admitted to Helios Fund IV as a "Listed Fund" under the terms of Helios Fund IV's limited partnership agreement, as amended and restated (the "Helios Fund IV LPA"), meaning that the company will not incur any management fees nor any carried interest payable to Helios Fund IV GP with respect to its investment in Helios Fund IV, which would otherwise be incurred in accordance with the Helios Fund IV LPA.

In 2022, the company received total distributions of $9,820 from Helios Fund IV, comprised of an equalization adjustment of $5,402 and a return of capital of $4,418, and funded capital calls of $3,184.

At December 31, 2022, the company had funded aggregate capital calls of $24,815, representing 14.1% (December 31, 2021 – $31,967 and 16.9%) of the limited partnership interest in Helios Fund IV based on committed capital.

At December 31, 2022, the company's remaining capital commitment to Helios Fund IV was $25,185 (December 31, 2021 – $18,549), which may be called at any time by Helios Fund IV GP in accordance with the Helios Fund IV LPA.

At December 31, 2022, the company estimated the fair value of its investment in Helios Fund IV Limited Partnership Interest to be $33,785 (December 31, 2021 – $38,866).

Common Shares

NBA Africa

HFP US Investments, Inc. ("U.S. Holdco") is a wholly-owned holding company, formed for the sole purpose of investing in NBA Africa, LLC ("NBA Africa"), an entity formed by the National Basketball Association ("NBA").

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

At December 31, 2022, the company estimated the fair value of its investment in NBA Africa to be $39,219 (December 31, 2021 – $33,416).

Trone Holdings

At December 31, 2022 and December 31, 2021, the company had invested $15,528 for a 22.0% equity interest in Trone Investment Holdings (UK) ("Trone Holdings"), a holding company based in London, United Kingdom, created for the purpose of holding an equity interest in a Moroccan medical technology distribution group ("Trone"). Helios Fund IV holds the remaining 78.0% equity interest in Trone Holdings. Trone Holdings, together with the founding partner and management of Trone, holds the entire equity interest in SPV Rayon Holdings ("SPV Rayon"), a Moroccan holding company which owns 100.0% of Trone's operating businesses.

At December 31, 2022, the company estimated the fair value of its 22.0% equity interest in Trone Holdings to be $17,506 (December 31, 2021 – $15,528).

Indirect equity interest in AGH

At December 31, 2022 and December 31, 2021, the company had invested $98,876 in Joseph Investment Holdings ("Joseph Holdings") (comprised of $88,744 for 74.6% interest in common shares and 73.7% interest in Class A shares of Joseph Holdings, providing a 74.6% voting interest; and $10,132 as a shareholder loan). Through its investment in Joseph Holdings, HFP is the largest beneficial shareholder of AFGRI Holdings Proprietary Limited ("AFGRI Holdings"), a private holding company based in South Africa that owns 100.0% of AFGRI Group Holdings Proprietary Limited ("AGH"), an investment holding company with interests in a number of agricultural and food-related companies. HFP has a 46.8% indirect equity interest (December 31, 2021 – 46.8%) in AGH.

At December 31, 2022, the company estimated the fair value of its 46.8% indirect equity interest in AGH to be $17,456 (December 31, 2021 – $60,416).

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

Philafrica Foods Proprietary Ltd.

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

At December 31, 2022, the company estimated the fair value of its investment in Philafrica common shares to be $4,408 (December 31, 2021 – $9,155).

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

Indirect equity interest in Nova Pioneer

Nova Pioneer Education Group ("Nova Pioneer") is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19 and is wholly-owned by Ascendant Learning Limited ("Ascendant"), its Mauritius-based parent entity.

On July 1, 2021, Nova Pioneer redeemed the company's 20.0% Nova Pioneer debentures (the "Nova Pioneer Bonds") with an aggregate fair value of $34,711 and settled interest accrued of $4,100 by issuing Ascendant common shares with a fair value of $38,811. At December 31, 2022 and December 31, 2021, the company had invested an aggregate of $38,811 for a 56.3% equity interest in Ascendant ("Indirect equity interest in Nova Pioneer").

At December 31, 2022, the company estimated the fair value of its indirect equity interest in Nova Pioneer to be $25,468 (December 31, 2021 – $38,811).

Loans

AFGRI International Facility

On August 20, 2021, the company entered into a secured lending arrangement with AFGRI International Proprietary Limited ("AFGRI International"), a wholly-owned South African subsidiary of AGH, pursuant to which the company agreed to provide up to $10,000 of financing (the "AFGRI International Facility"). On August 26, 2021 the company advanced $9,600, net of $400 in raising fees, under the AFGRI International Facility, bearing interest at a rate of 12.75% per annum, accrued and capitalized quarterly, and maturing on August 26, 2022, one year from initial funding date.

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

At December 31, 2022, the company estimated the fair value of the AFGRI International Facility to be $11,669 (December 31, 2021 – $9,726), including capitalized interest of $1,351 (December 31, 2021 – $nil).

In 2022, the company recorded interest income of $1,492 (2021 – $669) within the consolidated statements of loss and comprehensive loss related to the AFGRI International Facility.

Subsequent to December 31, 2022

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

Philafrica Facility

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

At December 31, 2022, the company estimated the fair value of the Philafrica Facility to be $7,346 (December 31, 2021 – $7,219).

In 2022, the company recorded interest income of $776 (2021 – $733) within the consolidated statement of loss and comprehensive loss related to the Philafrica Facility.

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

CIG Loan

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

In 2021, the company recorded a write-down of interest receivable of $1,206 within the consolidated statements of loss and comprehensive loss as the company does not expect to recover any of its interest receivable on the CIG Loan. At December 31, 2022 and December 31, 2021, the interest receivable related to the CIG Loan was nil.

On September 30, 2022, CIG signed a purchase and sale agreement (the "CIG PSA") whereby CIG would sell its shares in Conlog. The sale has received regulatory approval. The expected recovery rate used in the company's valuation of the CIG Loan reflects the expected recovery from the sale of Conlog.

At December 31, 2022, the company estimated the fair value of the CIG Loan to be $17,632 (December 31, 2021 – $18,797).

Subsequent to December 31, 2022

As of March 17, 2023, the company received full repayment of the principal of $16,391 (300 million South African rand) on the CIG Loan.

Atlas Mara Facility

At August 28, 2022 and December 31, 2021, the company had advanced $39,507, net of $493 in raising fees, under the terms of a secured lending arrangement with Atlas Mara (the “Atlas Mara Facility”). The Atlas Mara Facility has a stated coupon of 10.0% per annum plus default interest of 7.5%, accrued quarterly and payable in kind. Fairfax guaranteed all repayment obligations of Atlas Mara under the Atlas Mara Facility, giving rise to the Atlas Mara Facility Guarantee described later in this note.

In 2021, the company received partial repayment for the Atlas Mara Facility of $11,325. The company recorded net realized losses of $16,388 on the Atlas Mara Facility in net change in realized gains (losses) on investments within the consolidated statements of loss and comprehensive loss.

In 2022, the company received further repayment of $4,365 from Atlas Mara and entered into an Assignment Agreement with Fairfax, whereby the company assigned its legal and beneficial rights, title and interests in the Atlas Mara Facility to Fairfax and cancelled the Atlas Mara Facility Guarantee effective August 29, 2022 in exchange for $33,424, which was received in full on August 30, 2022. The company recorded (i) a realized loss of $10,363 on the Atlas Mara Facility; and (ii) a realized gain of $33,424 on the Atlas Mara Facility Guarantee in net change in realized gains (losses) on investments within the consolidated statements of loss and comprehensive loss.

Event Horizon Loan

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

At December 31, 2022, the company estimated the fair value of the Event Horizon loan to be $9,473 (December 31, 2021 – $nil).

In 2022, the company recorded interest income of $524 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Event Horizon Loan.

Subsequent to December 31, 2022

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

Digital Ventures Facilities

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

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

At December 31, 2022, the company's remaining capital commitments to the Digital Ventures $40M Facility and the Digital Ventures $1M Facility were $25,473 and $637, respectively (December 31, 2021 – $nil and $nil), which may be called at any time in accordance with the respective loan facility agreements.

At December 31, 2022, the company estimated the fair values of the amounts drawn on the Digital Ventures $40M Facility and the Digital Ventures $1M Facility to be $14,956 and $371 (December 31, 2021 – $nil and $nil), respectively, including capitalized interest of $429 and $7, (December 31, 2021 – $nil and $nil) respectively.

In 2022, the company recorded interest income of $533 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Digital Ventures $40M Facility.

In 2022, the company recorded interest income of $10 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Digital Ventures $1M Facility.

Bonds

Atlas Mara Bonds

At December 31, 2022 and December 31, 2021, the company had invested $16,000 in Atlas Mara convertible bonds with a stated coupon of 11.0% per annum, accrued quarterly and payable in kind ("Atlas Mara 11.0% Convertible Bonds"). In addition, at June 16, 2022 and December 31, 2021, the company had invested $20,000 in Atlas Mara bonds with a stated coupon of 7.5% per annum, payable semi-annually ("Atlas Mara 7.5% Bonds") (collectively, the Atlas Mara 11.0% Convertible Bonds and the Atlas Mara 7.5% Bonds are referred to as the "Atlas Mara Bonds"). The Atlas Mara 7.5% Bonds were secured by Atlas Mara's shares in the Union Bank of Nigeria ("UBN") and the Atlas Mara 11.0% Convertible Bonds are unsecured.

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

At December 31, 2022, interest receivable of $nil (December 31, 2021 – $2,832) related to the Atlas Mara 7.5% Bonds. Interest receivable relating to the Atlas Mara 11.0% Convertible Bond has been accrued and capitalized up to December 28, 2020. The company no longer accrues interest on the Atlas Mara 11% Convertible Bonds effective December 28, 2020.

At December 31, 2022, the company estimated the fair value of the Atlas Mara 11.0% Convertible Bonds to be $nil (December 31, 2021 – $28).

In 2022, the company recorded interest income of $3,370 (2021 – $nil) within the consolidated statements of loss and comprehensive loss related to the Atlas Mara 7.5% Bonds.

Related Party Loan, Derivatives and Guarantees

A summary of changes in the fair value of the company's related party loan during 2022 and 2021 were as follows:

	2022					
	Balance as of January 1	**Additions**	**Redemptions**	**Net realized gains (losses)**	**Net change in unrealized gains (losses)**	**Balance as of December 31**
Related party loan:						
Fairfax Loan	**19,608**	**201**	**–**	**–**	**(779)**	**19,030**
Total related party loan	**19,608**	**201**	**–**	**–**	**(779)**	**19,030**

	2021					
	Balance as of January 1	**Additions**	**Redemptions**	**Net realized gains (losses)**	**Net change in unrealized gains (losses)**	**Balance as of December 31**
Related party loan:						
Fairfax Loan	19,411	197	–	–	–	19,608
Total related party loan	19,411	197	–	–	–	19,608

Fairfax Loan

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

At December 31, 2022, the fair value of the Fairfax Loan was $19,030 (December 31, 2021 – $19,608).

A summary of changes in the fair value of the company's related party derivatives and guarantees during 2022 and 2021 were as follows:

	2022					
	Balance as of January 1	**Additions**	**Redemptions**	**Net realized gains (losses)**	**Net change in unrealized gains (losses)**	**Balance as of December 31**
Related party derivatives and guarantees:						
Atlas Mara Facility Guarantee	**32,046**	**–**	**(33,424)**	**33,424**	**(32,046)**	**–**
HFP Redemption Derivative	**15,906**	**–**	**–**	**–**	**46,230**	**62,136**
Total related party derivatives and guarantees	**47,952**	**–**	**(33,424)**	**33,424**	**14,184**	**62,136**

	2021					
	Balance as of January 1	**Additions**	**Redemptions**	**Net realized gains (losses)**	**Net change in unrealized gains (losses)**	**Balance as of December 31**
Related party derivatives and guarantees:						
Atlas Mara Facility Guarantee	13,252	–	–	–	18,794	32,046
HFP Redemption Derivative	–	21,864	–	–	(5,958)	15,906
Total related party derivatives and guarantees	13,252	21,864	–	–	12,836	47,952

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

Atlas Mara Facility Guarantee

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

In 2022, the company received further repayment of $4,365 from Atlas Mara and entered into an Assignment Agreement with Fairfax, whereby the company assigned its legal and beneficial rights, title and interests in the Atlas Mara Facility to Fairfax and cancelled the Atlas Mara Facility Guarantee effective August 29, 2022 in exchange for $33,424, which was received in full on August 30, 2022. The company recorded (i) a realized loss of $10,363 on the Atlas Mara Facility; and (ii) a realized gain of $33,424 on the Atlas Mara Facility Guarantee in net change in realized gains (losses) on investments within the consolidated statements of loss and comprehensive loss.

HFP Redemption Derivative

On March 31, 2021, as part of the $100,000 HFP 3.0% Debenture transaction (refer to note 7) the company entered into the HFP Redemption Derivative. At maturity or on redemption by Fairfax, the principal amount to be repaid will be adjusted for the amount, if any, by which the aggregate fair value of the company's investments in the Reference Investments is lower than $102,600.

At December 31, 2022, the fair value of the HFP Redemption Derivative was $62,136 (December 31, 2021 – $15,906).

6. Cash and Investments

Fair Value Disclosures

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

	December 31, 2022				December 31, 2021			
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)[1]	Total fair value of assets	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets
Cash and cash equivalents	**125,241**	**–**	**–**	**125,241**	76,284	–	–	76,284
	125,241	**–**	**–**	**125,241**	76,284	–	–	76,284
Portfolio Investments:								
Limited partnership investments	**–**	**–**	**259,183**	**259,183**	–	–	289,048	289,048
Common shares	**16,595**	**–**	**104,729**	**121,324**	29,292	–	158,614	187,906
Loans	**–**	**–**	**61,447**	**61,447**	–	–	42,564	42,564
Bonds	**–**	**–**	**–**	**–**	–	–	20,028	20,028
Total Portfolio Investments	**16,595**	**–**	**425,359**	**441,954**	29,292	–	510,254	539,546
Related party derivatives and guarantees	**–**	**–**	**62,136**	**62,136**	–	–	47,952	47,952
Related party loan	**–**	**–**	**19,030**	**19,030**	–	–	19,608	19,608
Total cash and investments	**141,836**	**–**	**506,525**	**648,361**	105,576	–	577,814	683,390
	21.9%	**–%**	**78.1%**	**100.0%**	15.4%	–%	84.6%	100.0%

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

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

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

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During 2022 and 2021 there were no transfers of financial instruments between Level 1 and Level 2 and there were no transfers of financial instruments into or out of Level 3 as a result of changes in the observability of valuation inputs. The changes in fair value of the company's Private Portfolio Investments (classified as Level 3) are disclosed in note 5.

The tables that follow describe the valuation technique and significant unobservable inputs and illustrates the potential impact on net earnings (loss) of various combinations of changes in unobservable inputs in the company's internal valuation model for its financial instruments classified as Level 3 at December 31, 2022. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on analysis of the return on various equity indices, management's knowledge of the applicable equity markets and the potential impact of changes in interest rates. The reasonably possible ranges of discount rates reflect increased market volatility due to the rising inflation, elevated oil and commodity prices, and interest rate hikes. The range also reflects the additional uncertainty in determining recoverability, market multiples and the discounted cash flows for assessing the fair values of Private Portfolio Investments and related party derivatives and guarantees.

Investments	Valuation technique	Significant unobservable inputs[(1)]	Inputs at December 31, 2022	Inputs at December 31, 2021	Relationship of unobservable inputs to fair value
Limited partnership investments					
TopCo LP Class A Limited Partnership Interest[(2)]	Discounted cash flow and net asset value	Discount rate	25.8% to 31.8%	22.8% to 28.8%	Increases (decreases) in discount rates (decrease) increase fair value
		Target exit dates	2023-2028	2022 to 2027	Increases (decreases) in target exit dates (decrease) increase fair value
		Exit multiple of invested capital	2.4x to 3.0x	2.5x to 3.0x	Increases (decreases) in exit multiples increase (decrease) fair value
TopCo LP Class B Limited Partnership Interest	Discounted cash flow	Discount rate	15.8%	14.1%	Increases (decreases) in discount rates (decrease) increase fair value
		Growth in assets under management	24.6%	23.1%	Increases (decreases) in growth in assets under management increase (decrease) fair value
		Long term pre-tax profit margin	42.2%	42.2%	Increases (decreases) in long term pre-tax profit margin increase (decrease) fair value
		Long term growth rate	4.5%	4.5%	Increases (decreases) in growth rates increase (decrease) fair value
Common shares					
Indirect equity interest in AGH[(3)]	Offer price	N/A	N/A	0.0x to 7.0x	N/A
Philafrica common shares[(3)]	Offer price	N/A	N/A	0.0x to 6.4x	N/A
Trone[(4)]	Market multiples	Multiples of EBITDA	9.0x	N/A	Increases (decreases) in multiples of EBITDA increase (decrease) fair value
NBA Africa[(5)]	Discounted cash flow	After-tax discount rate	14.5%	N/A	Increases (decreases) in discount rates (decrease) increase fair value
		Terminal revenue multiple	7.0x	N/A	Increases (decreases) in terminal revenue multiple increase (decrease) fair value
Indirect equity interest in Nova Pioneer [(6)]	Discounted cash flow	After-tax discount rate	12.4%	N/A	Increases (decreases) in discount rates (decrease) increase fair value
		Long-term growth rate	3.6%	N/A	Increases (decreases) in growth rates increase (decrease) fair value
Derivatives					
Atlas Mara Facility Guarantee	Discounted cash flow	Total fair value of the Atlas Mara Facility	N/A	$6,822	Increases (decreases) in the total fair value of the Atlas Mara Facility (decrease) increase fair value
HFP Redemption Derivative	Discounted cash flow and option pricing model	Total fair value of the Reference Investments	$29,210	$76,790	Increases (decreases) in the total fair value of the Reference Investments (decrease) increase fair value

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

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

(3) *The investment was valued using EBITDA multiples at December 31, 2021. At December 31, 2022, the valuation technique was changed from EBITDA multiples to offer price based on a non-binding offer as it is more indicative of the fair value of the investment.*

(4) *The investment was valued at transaction price at December 31, 2021. At December 31, 2022, the valuation technique was changed from the initial transaction price to a market approach using EBITDA multiples as the initial transaction price is no longer indicative of the fair value given the passage of time.*

(5) *The investment was valued at transaction price at December 31, 2021. At December 31, 2022, the valuation technique was changed from the transaction price implied by third-party investment to a discounted cash flow analysis based on multi-year free cash flow projections with an assumed after-tax discount rate and a terminal revenue multiple as it is more indicative of the fair value of the investment.*

(6) *The investment was valued at transaction price at December 31, 2021. At December 31, 2022, the valuation technique was changed from the transaction price implied by third-party investment to a discounted cash flow analysis based on multi-year free cash flow projections with an assumed after-tax discount rate and a long-term growth rate as it is more indicative of the fair value of the investment.*

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

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

	December 31, 2021					
Investments	**Fair value of Investment**	**Valuation technique**	**Significant unobservable inputs**	**Sensitivity Factor**	**Hypothetical $ change effect on fair value measurement**	**Hypothetical $ change effect on net earnings (loss)[(1)]**
Limited partnership investments:						
TopCo LP Class A Limited Partnership Interest	$90,223	Discounted cash flow and net asset value	Discount rate	Increase/(decrease) 100 bps	(1,596) / 1,648	(1,384) / 1,430
			Target exit dates	Increase/(decrease) 1 year	(24,718) / 23,279	(21,443) / 20,195
			Exit multiple of invested capital	Increase/(decrease) 5%	6,536 / (8,393)	5,670 / (7,281)
TopCo LP Class B Limited Partnership Interest	$159,959	Discounted cash flow	Discount rate	Increase/(decrease) 100 bps	(18,978) / 23,624	(16,464) / 20,494
			Growth in assets under management	Implied CAGR of committed capital of 22.3% to 23.9%	16,390 / (16,390)	14,219 / (14,219)
			Long term pre-tax profit margin	Increase/(decrease) 100 bps	2,610 / (2,610)	2,264 / (2,264)
			Long term growth rate	Increase/(decrease) 25 bps	2,951 / (2,801)	2,560 / (2,430)
Common shares	$69,571	Market multiples	Multiples of EBITDA	Increase/(decrease) 5%	7,485 / (7,485)	6,493 / (6,493)
Related party derivatives and guarantees:						
Atlas Mara Facility Guarantee	$32,046	Discounted cash flow	Total fair value of the Atlas Mara Facility	Increase/(decrease) 10%	(682) / 682	(592) / 592
HFP Redemption Derivative	$15,906	Discounted cash flow and option pricing model	Total fair value of the Reference Investments	Increase/(decrease) 10%	(7,679) / 7,679	(6,662) / 6,662

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

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

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

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

Growth in assets under management represents the compound annual growth rate in fee-bearing capital over eight years from $1.4 billion at December 31, 2022 to $8.0 billion (December 31, 2021 – $1.3 billion to $6.9 billion), before taking into account probability weightings. Growth in assets under management is expected to be achieved through raising capital for future Africa-focused private funds of new strategies, permanent capital vehicles and follow-on private funds of both current and new strategies. A forecasting period of eight years was used due to the inherent long-term nature of Africa-focused private funds, which require additional time to fundraise, deploy capital and prepare investments for exit.

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

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

Probability weighting on future fundraising initiatives reflects the probability weightings assigned to the various growth initiatives determined by Helios' management. Lower probability weightings were assigned to earnings arising from fee-bearing capital in the following decreasing order of probability: (i) follow-on private funds of current strategies; (ii) initiation of new strategies to be executed through future private funds and permanent capital vehicles; and (iii) follow-on private funds of these new strategies. Probability weightings reflect an average reduction in unweighted future cash flows of 25.4%, calculated as the undiscounted sum of the weighted expected cash flows divided by the undiscounted sum of the unweighted cash flows over the forecast period.

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

The table that follows illustrates the potential impact on net earnings (loss) of changes in expected recovery rates derived from collateral value and expected timing and proceeds from planned asset sales in the company's expected recovery model for loans and bonds classified as Level 3 at December 31, 2022 and December 31, 2021. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on analysis of the underlying assets.

	Expected recovery at December 31		Fair value of investment at December 31		Hypothetical $ change effect on fair value measurement(1)		Hypothetical $ change effect on net earnings (loss)(1)(2)	
Investments	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Loans:								
CIG Loan	100.0%	100.0%	$17,632	$18,797	- / (882)	- / (940)	- / (765)	- / (815)
Bonds:								
Atlas Mara 11.0% Convertible Bonds	–%	0.1%	$–	$28	999 / -	1,399 / (28)	867 / -	1,028 / (21)

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

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

The following investments have been excluded from the sensitivity analysis above as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis for the investment in limited partnership interest and common shares, and the impact of the sensitivity analysis is not significant for the investment in loans.

	Valuation technique at		Fair value of investment at
Investments	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**
Limited partnership investments:			
Helios Fund IV limited partnership interest	Adjusted net asset value	Adjusted net asset value	$33,785
Common shares:			
Indirect equity interest in AGH	Offer price	Market multiples	$17,456
Philafrica	Offer price	Market multiples	$ 4,408
Loans:			
Philafrica Facility(1)	Offer price	Expected Recovery	$ 7,346
AFGRI International Facility	Amortized cost	Amortized cost	$11,669
Event Horizon Loan	Initial transaction price	N/A	$ 9,473
Digital Ventures $40M Facility	Initial transaction price	N/A	$14,956
Digital Ventures $1M Facility	Initial transaction price	N/A	$ 371
Fairfax Loan(2)	Discounted cash flow	Amortized cost	$19,030

(1) The investment was valued using expected recovery at December 31, 2021. At December 31, 2022, the valuation technique was changed from expected recovery to offer price based on a non-binding offer as it is more indicative of the fair value of the investment.

(2) Fairfax Loan was valued using amortized cost at December 31, 2021. At December 31, 2022, the valuation technique was changed from amortized cost to discounted cash flow as it is more indicative of the fair value given the interest rate environment.

Investment Income

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

	2022	2021
Interest:		
Cash and cash equivalents	**1,654**	309
Restricted cash deposits	**–**	152
Term deposits	**–**	(573)
Limited partnership investments	**362**	–
Loans	**3,611**	453
Bonds	**3,370**	(202)
	8,997	139
Dividends: Common stocks	**950**	714

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

	2022			2021		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Term deposits	**–**	**–**	**–**	(12,392)	–	(12,392)
Limited partnership investments	**–**	**(17,475)**	**(17,475)**	–	(14,715)	(14,715)
Common shares	**5,197**	**(55,546)**	**(50,349)**	3,579	21,145	24,724
Loans	**(9,885)**	**6,940**	**(2,945)**	(16,388)	5,307	(11,081)
Bonds	**–**	**(28)**	**(28)**	(9,541)	5,451	(4,090)
Derivatives and guarantees	**33,424**	**14,184**	**47,608**	13,495	12,836	26,331
	28,736	**(51,925)**	**(23,189)**	(21,247)	30,024	8,777
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(570)**	**–**	**(570)**	(1,305)	–	(1,305)
Common shares	**(745)**	**(5,299)**	**(6,044)**	808	(9,918)	(9,110)
Loans	**–**	**(2,038)**	**(2,038)**	–	(2,214)	(2,214)
Other	**–**	**(162)**	**(162)**	–	(278)	(278)
	(1,315)	**(7,499)**	**(8,814)**	(497)	(12,410)	(12,907)

7. Borrowings

	December 31, 2022		
	Principal	Carrying value	Fair value
HFP 3.0% Debentures (host instrument) due March 31, 2024(1)	100,000	99,226	90,443

(1) Redeemable on either of the first two anniversary dates, at the option of Fairfax. Fairfax did not exercise its option to redeem the HFP 3.0% Debentures on the first anniversary. Subsequent to December 31, 2022, Fairfax confirmed it will not exercise its option to redeem the HFP 3.0% Debentures on the second anniversary.

HFP 3.0% Debentures

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

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

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

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

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

Interest Expense

In 2022, the company recorded interest expense of $3,593 related to interest on the HFP 3.0% Debentures (2021 – $2,700).

Revolving Credit Facility

On March 3, 2022, the company closed a $70,000 secured revolving credit facility with FirstRand Bank Limited (acting through its Rand Merchant Bank division) (the "RMB Facility"), bearing interest at a rate of the compound reference rate plus 6.88%, payable quarterly. In addition, the company will pay a standby fee of 2.41% of the unused portion of the credit facility, payable quarterly.

In 2022, the company had incurred $1,414 (2021 – $nil) in standby fees, which were included in general and administrative expenses as an administrative expense.

The RMB Facility matures on March 3, 2027. The RMB Facility is collateralized by the company's rights, title and interests in the

securities held in the Mauritius Sub and SA Sub, as well as Mauritius Sub's bank accounts and its receivables.

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

8. Common Shareholders' Equity

Authorized Capital

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

Issued Capital

Issued capital at December 31, 2022 included 55,452,865 (December 31, 2021 – 55,452,865) multiple voting shares and 52,741,106 (December 31, 2021 – 52,806,780) subordinate voting shares. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. At December 31, 2022 and December 31, 2021 there were no preference shares outstanding.

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

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

Common stock

The number of shares outstanding was as follows:

	2022	2021
Subordinate voting shares – January 1	**52,806,780**	53,665,388
Issuance of shares (refer to note 9)	**23,102**	–
Purchases for cancellation	**(88,776)**	(858,608)
Subordinate voting shares – December 31	**52,741,106**	52,806,780
Multiple voting shares – beginning and end of year	**55,452,865**	55,452,865
Common shares effectively outstanding – December 31	**108,193,971**	108,259,645

Purchase of Shares

During the period January 1, 2022 to July 7, 2022, the company was entitled, subject to compliance with applicable corporate and securities laws, to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. During 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 88,776 subordinate voting shares (2021 – 858,608) for a net cost of $305 (2021 – $2,587) and $417 (2021 – $4,400) was recorded as a benefit in retained earnings.

On July 7, 2022, the company's normal course issuer bid expired.

Automatic Share Purchase Plan

On March 29, 2022, in connection with the normal course issuer bid, the company gave instructions under its automatic share purchase plan with a designated broker to allow for the purchase of subordinated voting shares at times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on parameters established by the company prior to commencement of the applicable trading black-out period. On May 2, 2022, the automatic share purchase plan was terminated by the company and designated broker.

Warrants

On March 31, 2021, Fairfax, through its affiliates, invested $100,000 in HFP 3.0% Debentures and HFP Warrants (refer to note 7). At inception, the company determined that the fair value of the HFP Warrants issued was $5,557 which was recorded in warrants within common shareholders' equity.

Dividends

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

Capital Contributions

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

9. Share-Based Incentive Plans

Special Incentive Plan

Under the Special Incentive Plan, on December 8, 2020, 2,505,637 options to purchase subordinate voting shares of the company were granted to certain employees, officers, members, partners or consultants of the Manager (the "SIP Recipients"). Options issued under the SIP vested immediately on grant date and have an exercise price of $3.99 per share and maturity date of December 8, 2030. Since December 8, 2020, certain options issued under the SIP have been reallocated to additional SIP participants. These reallocated options vested immediately on grant date and mature on March 3, 2031 and September 19, 2032.The options may also be exercised by way of a cashless exercise, at the participant's option, where the company will issue shares equivalent to the amount by which the aggregate fair market value of the shares at time of exercise exceed the exercise price, less any applicable withholding taxes.

The number of options outstanding under the SIP were as follows:

	2022	**Weighted average exercise price**	**2021**	**Weighted average exercise price**
Options outstanding, beginning of year	**1,879,228**	**3.99**	2,505,637	3.99
Options granted	**876,409**	**3.93**	–	–
Options forfeited	**(706,396)**	**4.16**	(626,409)	3.99
Options outstanding and exercisable, end of year	**2,049,241**	**3.90**	1,879,228	3.99

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

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

Expected volatility was determined based on daily historical volatility of HFPC.U since initial public offering on February 17, 2017. The weighted average remaining contractual life of the share options outstanding at December 31, 2022 was 8.2 years.

Long-Term Incentive Plan

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

In 2022, 484,265 restricted share units (2021 – nil) with a cost per unit of $3.33 were granted to certain directors and officers of the company. The cost per unit was determined based solely on the 5-day volume-weighted average price on the date of grant. The restricted share units vest according to a time-based vesting schedule over a period of three to five years. The time-based vesting schedule varies by participant. At December 31, 2022, under the terms of the LTIP, 23,102 restricted share units (December 31, 2021 – nil) had vested and 23,102 subordinate voting shares (December 31, 2021 – nil) were issued out of treasury stock at a cost of $72 (December 31, 2021 – $nil), which was included in general and administrative expenses as a salaries and employee benefit expense.

In 2022, the company recorded share-based compensation expense of $2,741 (2021 – $124) related to the share-based incentive plans within the consolidated statements of loss and comprehensive loss.

10. Net Loss per Share

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

	2022	2021
Net loss – basic and diluted	**(50,777)**	(25,922)
Weighted average shares outstanding – basic and diluted	**108,193,971**	109,071,609
Net loss per share – basic and diluted	**$ (0.47)**	$ (0.24)

At December 31, 2022, there were no contingently issuable subordinate voting shares related to the performance fee payable to TopCo LP. At December 31, 2021, there were 319,387 such shares, which were excluded from the calculation of diluted weighted average common shares outstanding because their effect would have been anti-dilutive. Under the Investment Advisory Agreement, the performance fee for the first calculation period, if applicable, will be payable after December 31, 2023. TopCo LP's general partner may elect, no later than fifteen days from the end of the calculation period (the "election date"), to receive the performance fee, wholly or partly, in cash or in subordinate voting shares of the company. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the election date.

At December 31, 2022, there were 214,436 potential subordinate voting shares issuable relating to the Special Incentive Plan (December 31, 2021 – nil), which were excluded from the calculation of diluted weighted average common shares outstanding because their effect would have been anti-dilutive. There were no potential subordinate voting shares issuable relating to the HFP Warrants (refer to note 7) because the HFP Warrants were out of the money.

11. Income Taxes

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

	2022	2021
Current income tax:		
Current year expense (recovery)	**4,117**	(2,509)
Adjustment to prior years' income taxes	**(6)**	(1,163)
	4,111	(3,672)
Deferred income tax:		
Origination of temporary differences	**3,675**	2,110
Adjustments to prior years' deferred income taxes	**15**	(212)
	3,690	1,898
Provision for (recovery of) income taxes	**7,801**	(1,774)

The components of the company's provision for (recovery of) income taxes for the years ended December 31 are summarized in the following table:

	2022	2021
Current income tax:		
Canada	**4,112**	(3,774)
Outside of Canada	**(1)**	102
	4,111	(3,672)
Deferred income tax:		
Canada	**2,149**	1,882
Outside of Canada	**1541**	16
	3,690	1,898
Provision for (recovery of) income taxes	**7,801**	(1,774)

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

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

	2022	2021
Canadian statutory income tax rate	**26.5%**	26.5%
Recovery of income taxes at the Canadian statutory income tax rate	**(11,389)**	(7,340)
Non-taxable losses (gains) on investments	**(2,172)**	2,242
Tax rate differential on losses incurred outside of Canada	**22,080**	7,382
Provision (recovery) relating to prior years	**8**	(1,375)
Unused tax losses	**(323)**	(5,579)
Change in unrecorded tax benefit of losses and temporary differences	**(8,271)**	1,477
Realized gains and foreign exchange effect	**6,843**	1,622
Other, including permanent differences	**1,025**	(203)
Provision for (recovery of) income taxes	**7,801**	(1,774)

Non-taxable gains on investments of $2,172 in 2022 principally reflected the non-taxable portion of unrealized losses on investments in TopCo LP and Helios Fund IV of $5,107, and the non-taxable portion of unrealized gains on other investments of $7,279. Non-taxable losses on investments of $2,242 in 2021 principally reflected the non-taxable portion of unrealized losses on investments in TopCo LP and Helios Fund IV of $3,349, and the non-taxable portion of the unrealized gains on other investments of $1,107.

Tax rate differential on losses incurred outside of Canada of $22,080 in 2022 principally reflected the tax impact of foreign accrual property income and losses, foreign accrual capital losses, and net investment losses taxed at different rates in jurisdictions outside of Canada. The tax rate differential on losses incurred outside of Canada of $7,382 in 2021 principally reflected the impact of net investment losses taxed at different rates in jurisdictions outside of Canada.

Provision relating to prior years of $8 in 2022 principally reflected adjustments for taxable income allocations from TopCo LP and Helios Fund IV Limited Partnership, capitalized professional fees, and foreign taxes paid. Recovery relating to prior years of $1,375 in 2021 principally reflected adjustments for impaired debts, tax benefit of foreign accrual property loss carryback, and related foreign exchange adjustments.

Unused tax losses of $323 in 2022 (2021 – $5,579) reflected the company's net capital loss carryforward arising from an intercompany transaction and settlement of investments.

The change in unrecorded tax benefit of losses and temporary differences of $(8,271) in 2022 principally reflected the change in deferred tax liabilities in foreign accrual capital losses of $1,501, investment and other temporary timing differences of ($2,535) that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS, and deferred tax liabilities in South Africa on investments of $4,235.

The change in unrecorded tax benefit of losses and temporary differences of $1,477 in 2021 principally reflected the change in deferred tax assets in foreign accrual capital losses of $2,865, incentive and other temporary timing differences of 986 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS, and deferred tax liabilities in South Africa on investments of $2,374.

Realized gains and foreign exchange effect of $6,843 in 2022 (2021 – $1,622) principally reflected the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its subsidiaries is the U.S. dollar.

Other, including permanent differences of $1,025 in 2022 (2021 – $(203)) principally reflected non-deductible expenses.

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

	2022	2021
Balance – January 1	**(5,632)**	399
Amounts recorded in the consolidated statements of loss and comprehensive income	**4,111**	(3,672)
Amounts recorded in total equity	**(123)**	(745)
Payments made during the year	**(51)**	(1,614)
Balance – December 31	**(1,695)**	(5,632)

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

	2022				
	Investments	**Borrowings**	**Tax Loss Carryforwards**	**Other**	**Total**
Balance – January 1	**(5,478)**	**(1,672)**	**3,040**	**(309)**	**(4,419)**
Amounts recorded in the consolidated statements of loss and comprehensive income loss	**(855)**	**(5,302)**	**2,544**	**(48)**	**(3,661)**
Amounts recorded in equity	–	**178**	–	**(127)**	**51**
Balance – December 31	**(6,333)**	**(6,796)**	**5,584**	**(484)**	**(8,029)**

	2021				
	Investments	**Borrowings**	**Tax Loss Carryforwards**	**Other**	**Total**
Balance – January 1	**90**	**–**	**–**	**745**	**835**
Amounts recorded in the consolidated statements of loss and comprehensive loss	**(5,568)**	**953**	**3,040**	**(323)**	**(1,898)**
Amounts recorded in equity	**–**	**(2,625)**	**–**	**(731)**	**(3,356)**
Balance – December 31	**(5,478)**	**(1,672)**	**3,040**	**(309)**	**(4,419)**

The temporary differences included in the deferred income tax liability at December 31, 2022 related to investments, borrowings, tax loss carryforwards, and other temporary timing differences. The temporary differences on investments are primarily due to net investment differences in Canada and South Africa. The temporary differences on borrowings are primarily related to the company's unsecured debentures. The temporary differences on tax loss carryforwards are related to the company's net capital losses. The other temporary timing differences primarily relate to intercompany debt and share issuance and transaction costs.

Management reviews the recoverability of potential deferred tax assets on an ongoing basis and adjusts, as necessary, to reflect their anticipated realization. At December 31, 2022, deferred income tax assets not recorded by the company of $34,664 (December 31, 2021 – $47,240) were principally comprised of: (i) losses on South African investments of $6,642 (December 31, 2021 – $15,182); (ii) net capital losses and foreign accrual capital losses of $5 (December 31, 2021 – $23,975); (iii) foreign accrual property losses of $nil (December 31, 2021 – $84); and (iv) other investment differences of $28,017 (December 31, 2021 – $7,999).

At December 31, 2022 and 2021, net unrealized loss related to the company's investments resulted in no deferred income tax consideration for withholding and other taxes that could be payable on unremitted earnings of 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 company's framework used to monitor, evaluate and manage the company's risk exposures at December 31, 2022 compared to those identified at December 31, 2021, except as described below.

Conflict in Ukraine

The conflict in Ukraine is ongoing with countries around the world continuing to impose economic sanctions against Russia, including restrictions on the import of Russian oil and natural gas. The conflict has also impacted global supply chains already disrupted by and not fully recovered from the COVID-19 pandemic. As a result, prices for oil, food, and other commodities increased sharply and have been volatile since the conflict began. Such further developments and their impacts on the global economy could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Inflation and rising interest rates

The global impacts of the conflict in Ukraine discussed above, exacerbated by the lingering effects of the COVID-19 pandemic, have resulted in increasing inflation since the beginning of the conflict, particularly related to food and fuel, causing central banks in major economies to raise interest rates. Rising interest rates have the potential to impact discount rates used in the company's valuations of Private Portfolio Investments and could also impact foreign exchange risk as currencies appreciate or depreciate depending on local monetary policy responses. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations, and cash flows.

Market Risk

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

Foreign Currency Risk

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

The company has cash and cash equivalents, Portfolio Investments, and receivables in South African rand, and cash and cash equivalents and a Portfolio Investment in pound sterling. In addition, the company has cash and cash equivalents in Canadian dollars and Mauritian rupees, of which the impact of fluctuations in either would be insignificant.

The company's common shareholders' equity and net earnings (loss) may be significantly affected by foreign currency movements resulting from the company's South African rand- and pound sterling-denominated investments.

At December 31, 2022 and 2021, the company's net foreign currency exposure was as follows:

	December 31, 2022	December 31, 2021
South Africa rand	**74,299**	129,222
Pound sterling	**9,582**	10,221

At December 31, 2022 and December 31, 2021, had the U.S. dollar strengthened or weakened by 5% or 10% relative to the currencies to which it has significant exposure with all other variables held constant, the net increase or decrease in net earnings (loss) would have been as follows:

	December 31, 2022		December 31, 2021	
	Sensitivity factor	Hypothetical $ change effect on net earnings (loss)(1)	Sensitivity factor	Hypothetical $ change effect on net earnings (loss)(1)
South Africa rand	Increase / (decrease) 5.0%	2,731 / (2,731)	Increase / (decrease) 5.0%	4,749 / (4,749)
	Increase / (decrease) 10.0%	5,461 / (5,461)	Increase / (decrease) 10.0%	9,498 / (9,498)
Pound sterling	Increase / (decrease) 5.0%	352 / (352)	Increase / (decrease) 5.0%	376 / (376)
	Increase / (decrease) 10.0%	704 / (704)	Increase / (decrease) 10.0%	751 / (751)

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

The company has not hedged its foreign currency risk. Certain shortcomings are inherent with this method of analysis, including the assumption that the hypothetical appreciation or depreciation of the South African rand and pound sterling against the U.S. dollar occurred with all other variables held constant.

Interest Rate Risk

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

At December 31, 2022, the company held fixed income investments with a fair value of $80,477 (December 31, 2021 – $82,200). These investments are exposed to interest rate risk due to changes in market interest rates. The company has determined the impact of interest rate changes is not significant for these fixed income investments. Refer to note 6.

Market Price Fluctuations

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

The company holds significant equity and limited partnership investments and a related party derivative and guarantee and is exposed to market price risk. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition.

The impact of a 10.0% decrease in the fair value of the company's investments classified as Level 1 in the fair value hierarchy at December 31, 2022, with all other variables held constant, would have resulted in a net decrease in net earnings (loss) of $1,220 (December 31, 2021 – $2,153). Conversely, the impact of a 10.0% increase in the fair value of the company's investments classified as Level 1 in the fair value hierarchy at December 31, 2022, with all other variables held constant, would have resulted in a net increase in net earnings (loss) of $1,220 (December 31, 2021 – $2,153). Refer to note 6 for the potential impact on net earnings (loss) of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company and arises predominantly with respect to cash and cash equivalents, receivables, and investments in debt instruments.

Cash and Cash Equivalents

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

At December 31, 2022, the company's cash and cash equivalents of $125,241 (December 31, 2021 – $76,284) were comprised of $104,910 (December 31, 2021 – $51,609) at the holding company (principally in major Canadian financial institutions) and $20,331 (December 31, 2021 – $24,675) at the company's wholly-owned subsidiaries (principally in major South African and Mauritian financial institutions).

Other Receivables from Related Parties

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

At December 31, 2022, the company's other receivables from related parties of $1,319 (December 31, 2021 – $11,002) was primarily comprised of $1,278 receivable from TopCo LP. The receivable at December 31, 2021 was primarily comprised of $10,512 receivable from TopCo LP and $490 receivable from other parties (refer to note 13).

Other Assets

At December 31, 2022, the company's other assets of $832 (December 31, 2021 – $1,390) were primarily comprised of amounts receivable from Atlas Mara relating to the guarantee provided to TLG Credit Opportunities Fund ("TLG Capital") on Atlas Mara's facility with TLG Capital (the "TLG Facility"). At December 31, 2022, the company estimated the recoverable amount on its receivable from Atlas Mara to be $587 (December 31, 2021 – $1,188) based on amounts received and expected to be received from the UBN sale, pursuant to the terms of the Atlas Mara SOA. Refer to note 14 for the company's valuation of the receivable from Atlas Mara.

Investments in Debt Instruments

The company's risk management strategy for debt instruments is to limit the amount of credit exposure with respect to any one corporate issuer. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

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

At December 31, 2022, the company had debt instruments with a fair value of $80,477 (December 31, 2021 – $82,200) that were subject to credit risk, representing 12.4% (December 31, 2021 – 12.0%) of the total cash and investments.

The company's exposure to credit risk from its investments in fixed income securities decreased to $73,131 at December 31, 2022 from $74,981 at December 31, 2021 primarily as a result of full repayment of the Atlas Mara 7.5% Bonds and partial repayment and assignment of the Atlas Mara Facility, offset by new investments in the Event Horizon Loan, the Digital Ventures $40M Facility, and the Digital Ventures $1M Facility. The HFP Redemption Derivative limits the company's exposure to credit risk on its investments in the Philafrica Facility (refer to note 5). Investments in fixed income securities include the related party loan receivable from Fairfax (refer to note 5).

Loans and bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features.

	December 31, 2022		December 31, 2021	
	Cost [(1)]	Fair value	Cost [(1)]	Fair value
Loans:				
Due in 1 year or less[(2)]	**86,893**	**80,106**	54,453	42,564
Due after 1 year through 5 years	**–**	**–**	19,608	19,608
	86,893	**80,106**	74,061	62,172
Bonds:				
Due in 1 year or less[(2)]	**20,073**	**–**	39,363	20,028
	20,073	**–**	39,363	20,028

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

At December 31, 2022, loans with fair values of $36,647 and bonds with fair values of $nil (December 31, 2021 – $42,564 and $28) contained call features. At December 31, 2022 and 2021, there were no debt instruments containing put features.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets and access to a loan facility to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable must be remitted to the respective tax jurisdictions as they are due.

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

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

	December 31, 2022		December 31, 2021		
	Total	Less than 1 year	Total	Less than 1 year	1 – 3 years
HFP 3.0% Debenture – Principal repayment[(1)]	**100,000**	**100,000**	100,000	–	100,000
HFP 3.0% Debenture – Interest	**750**	**750**	6,750	3,000	3,750
Digital Ventures $40M Facility	**25,473**	**25,473**			
Digital Ventures $1M Facility	**637**	**637**			
Helios Fund IV Commitment[(2)]	**25,185**	**25,185**	18,549	18,549	–
TopCo LP Management Team Commitment	**3,778**	**3,778**	2,782	2,782	–
Due to related parties	**803**	**803**	8,803	7,865	938
Accounts payable and accrued liabilities	**218**	**218**	136	136	–
Automatic share purchase plan	**–**	**–**	500	500	–
	156,844	**156,844**	137,520	32,832	104,688

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

(2) Subsequent to December 31, 2022, the Event Horizon Loan facility was increased to $4,944. The company also committed to invest $30,000 in Helios Seven Rivers Fund. The $30,000 will be comprised of cash plus the fair value of the company's Other Common Shares on the funding date.

The company may be subject to clawback obligations with respect to its TopCo LP Class A Limited Partnership Interest to the extent it has received Carried Interest Proceeds and a clawback is required (refer to note 5).

The company may be subject to capital call obligations with respect to its TopCo LP Class A and Class B Limited Partnership Interests to cover its pro rata share of expenses incurred by TopCo LP and TopCo LP's share of commitments to the general partners of the Helios Funds, the risk of which is partially mitigated by the six-month holding period of Excess Management Fee Proceeds by TopCo LP.

Concentration Risk

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

The composition of the company's total cash and cash equivalents and Portfolio Investments by industry sector and the regions where the primary underlying risk of the issuer's businesses resides is presented in the following table. The fair values of these investments were allocated based on the issuer's revenue from each region.

	December 31, 2022					**December 31, 2021**				
	North Africa(1)	**Sub-Saharan Africa(2)**	**Pan-Africa(3)**	**Other**	**Total**	**North Africa(1)**	**Sub-Saharan Africa(2)**	**Pan-Africa(3)**	**Other**	**Total**
Cash and cash equivalents	**–**	**20,331**	**–**	**104,910**	**125,241**	–	24,675	–	51,609	76,284
Limited partnership investments:										
Asset management(5)	**–**	**–**	**225,398**	**–**	**225,398**	–	–	250,182	–	250,182
Financial services(4)	**–**	**–**	**10,511**	**–**	**10,511**	–	–	12,092	–	12,092
Insurance(4)	**–**	**–**	**7,095**	**–**	**7,095**	–	–	8,162	–	8,162
Retail and distribution(4)	**16,179**	**–**	**–**	**–**	**16,179**	18,612	–	–	–	18,612
Common shares:										
Food and agriculture	**–**	**13,625**	**–**	**8,239**	**21,864**	–	46,311	–	23,260	69,571
Financial services	**–**	**672**	**–**	**–**	**672**	–	1,288	–	–	1,288
Entertainment	**–**	**–**	**39,219**	**–**	**39,219**	–	–	33,416	–	33,416
Retail and distribution	**17,506**	**–**	**–**	**–**	**17,506**	15,528	–	–	–	15,528
Education	**–**	**25,468**	**–**	**–**	**25,468**	–	38,811	–	–	38,811
Other	**–**	**16,595**	**–**	**–**	**16,595**	–	19,071	10,221	–	29,292
Loans										
Food and agriculture	**–**	**7,346**	**–**	**11,669**	**19,015**	–	7,219	–	9,726	16,945
Financial services	**7,364**	**7,963**	**–**	**–**	**15,327**	–	6,822	–	–	6,822
Infrastructure	**–**	**17,632**	**–**	**–**	**17,632**	–	18,797	–	–	18,797
Entertainment	**–**	**–**	**–**	**9,473**	**9,473**	–	–	–	–	–
Bonds										
Financial services	**–**	**–**	**–**	**–**	**–**	–	20,028	–	–	20,028
	41,049	**109,632**	**282,223**	**134,291**	**567,195**	34,140	183,022	314,073	84,595	615,830

(1) North Africa is geographically, the area of the continent of Africa that lies north of the Sahara Desert. It encompasses 8 of Africa's 54 countries.
(2) 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.
(3) Pan-Africa is geographically, the continent of Africa. Investments operating broadly across the continent of Africa are exposed to Pan-African regional risk.
(4) Helios Fund IV has been allocated to industry sectors based on underlying investment holdings.
(5) The returns of TopCo LP Class A Limited Partnership Interest and TopCo LP Class B Limited Partnership Interest are tied to the performance of Helios Holdings Group.

The company's loans and bonds are not rated, with no issuer concentration at December 31, 2022 (December 31, 2021 – 32.7% concentrated with one issuer). The company's exposure to credit risk is partially reduced by the company's investment in the HFP Redemption Derivative.

The company will not make a Portfolio Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two Portfolio Investments where, after giving effect to each such investment, the total invested amount of each such investment would be equal to or no more than 25.0% of the company's total assets (the "Investment Concentration Restriction").

The company intends to make multiple different investments as part of its prudent investment strategy. Portfolio Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to shareholders.

Capital Management

The company's objectives when managing capital is to optimize returns for common shareholders, while seeking attractive risk-adjusted returns. Total capital, comprised of common shareholders' equity and borrowings, was $643,533 at December 31, 2022 (December 31, 2021 – $690,534). The decrease primarily reflected net loss of $50,777.

13. Related Party Transactions

Payable to Related Parties

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

	December 31, 2022			December 31, 2021		
	Helios Holdings Group(1)	Fairfax	Total	Helios Holdings Group	Fairfax	Total
Investment and advisory fees	**803**	**–**	**803**	1,711	–	1,711
Performance fee	**–**	**–**	**–**	938	–	938
Management services fees	**–**	**–**	**–**	–	400	400
TopCo LP Capital Call	**–**	**–**	**–**	4,718	–	4,718
Other	**–**	**–**	**–**	–	1,036	1,036
	803	**–**	**803**	7,367	1,436	8,803

(1) Investment and advisory fees are paid to TopCo LP.

Investment Advisory Agreement

The company and its subsidiaries are parties to the Investment Advisory Agreement with TopCo LP. TopCo LP has entered into a sub-investment and advisory agreement with the Manager, pursuant to which the Manager was appointed as TopCo LP's sub-advisor for the purposes of the Investment Advisory Agreement. As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital and the fair value of TopCo LP. In 2022, investment and advisory fees recorded within the consolidated statements of loss and comprehensive loss was $3,642 (2021 – $4,146).

Performance Fee

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

Under the Investment Advisory Agreement, the period from January 1, 2021 to December 31, 2023 (the "first calculation period") is the first consecutive three-year period for which a performance fee, if applicable, will be payable to TopCo LP. At December 31, 2022 the company determined that a performance fee of $nil should be accrued to TopCo LP (December 31, 2021 – $938) as the Adjusted Book Value per Share of $2.91 (before factoring in the impact of the performance fee) at December 31, 2022 was less than the hurdle per share at that date of $3.27.

The performance fee, if applicable, will be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2023. TopCo LP's general partner may elect, no later than fifteen days from the end of the calculation period (the "election date"), to receive the performance fee, wholly or partly, in cash or in subordinate voting shares of the company. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the election date.

In 2022, a performance fee recovery of $938 (2021 – performance fee of $938) was recorded within the consolidated statements of loss and comprehensive loss.

Management Services Agreement

The company is party to a Management Services Agreement with Fairfax, pursuant to which Fairfax will provide certain services to the company and its subsidiaries on a two-year transitional basis for $1,700 in the first year and $2,125 in the second year, adjusted for discontinued services, paid quarterly in arrears. The two-year transitional period ended on December 8, 2022.

In 2022, the services provided by Fairfax under the Management Services Agreement include providing and paying for the compensation of a Corporate Secretary to the company (to March 31, 2022).

The management services fees recorded within the consolidated statements of loss and comprehensive loss at December 31, 2022 was $835 (2021 – $1,832).

TopCo LP Capital Call

TopCo LP capital call of $4,718 at December 31, 2021 was comprised of a capital call payable to TopCo LP with respect to Management Team Commitment. On January 2, 2022, the capital call was settled on a net basis with $7,733 receivable from TopCo LP discussed below. Refer to note 5 for the company's commitments and capital contributions to TopCo LP.

Other

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

Other Receivables from Related Parties

Other receivables from related parties of $1,319 at December 31, 2022 (December 31, 2021 – $11,002) was primarily comprised of distributions receivable of $1,278 from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during 2022. Refer to the Private Portfolio Investments section in note 5. The receivable at December 31, 2021 was primarily comprised of a distribution receivable from TopCo LP Class A Limited Partnership Interest of $7,733 and a distribution receivable from TopCo LP Class B Limited Partnership Interest in connection with Excess Management Fees earned during 2021 of $2,410.

Fairfax's Voting Rights and Equity Interest

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

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

Principal Holdco's Voting Rights and Equity Interest

At December 31, 2022 and 2021, Principal Holdco, a Luxembourg holding company indirectly owned by the co-CEOs of the company, owned 25,452,865 multiple voting shares and 24,632,413 subordinate voting shares of HFP. At December 31, 2022, in addition to his ownership through Principal Holdco, one of the co-CEOs also directly owned 4,500 subordinate voting shares (December 31, 2021 – 4,500) and indirectly owned 62,000 subordinate voting shares through a holding company (December 31, 2021 – nil).

At December 31, 2022, Principal Holdco's holdings of multiple and subordinate voting shares represented 45.9% of the voting rights and 46.3% of the equity interest in HFP (December 31, 2021 – 45.9% and 46.3%).

Key Management Personnel Compensation

Management Compensation

Compensation for the company's key management personnel for the years ended December 31 was recognized in general and administration expenses in the consolidated statements of loss and comprehensive loss as follows:

	2022	2021
Short-term employee benefits	**1,767**	1,226
Share-based payments	**641**	–
	2,408	1,226

Director Compensation

Compensation for the company's Board of Directors for the years ended December 31 was recognized in general and administration expenses in the consolidated statements of loss and comprehensive loss as follows:

	2022	2021
Retainers and fees	**402**	312
Share-based payments	**240**	124
	642	436

Special Incentive Plan

The company adopted the Special Incentive Plan, pursuant to which options to purchase subordinate voting shares of the company were granted to the SIP Recipients (refer to note 9). Certain of the SIP Recipients are key management personnel of the company or employees of the Manager.

Long Term Incentive Plan

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

Related Party Investment Transactions

Helios Fund IV

Helios Fund IV is related to HFP by virtue of common key management personnel. In 2022, the company received from Helios Fund IV total distributions of $9,820, comprised of an equalization adjustment of $5,402 and a return of capital of $4,418, and funded capital calls of $3,184. At December 31, 2022, the company had funded aggregate capital calls of $24,815, representing 14.1% (December 31, 2021 – $31,967 and 16.9%) of the limited partnership interest in Helios Fund IV based on committed capital. The exchange amounts of the transactions represented fair value (refer to notes 5 and 6).

Trone Holdings

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

TopCo LP Management Team Commitment

The TopCo LP Management Team Commitment was entered into in December 2021 and amended in June 2022 to decrease HFP's total commitments to TopCo LP in respect of the Management Team Commitment from 50% to 25% following the final close of Helios Fund IV. In 2022, the company received total distributions of $1,346 from TopCo LP as a result of an equalization adjustment and a return of capital from Helios Fund IV to HIP Equity IV and made total capital contributions of $478 to Helios Fund IV through HIP Equity IV related to the management team commitment. At December 31, 2022, the company's remaining capital commitment to TopCo LP with respect to the Management Team Commitment was $3,778 (refer to note 5).

HFP 3.0% Debentures

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

Related party derivatives

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

Fairfax Loan

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

Digital Ventures Facilities

On May 30, 2022, the company entered into the Digital Ventures $40M Facility with HDV. HDV is related to HFP by virtue of common key management personnel. Concurrently, the company entered into the Digital Ventures $1M Facility with Obashe. Obashe is also related to HFP. During 2022, the drawdowns on the Digital Ventures $40M Facility of $14,527 and the drawdowns on the Digital Ventures $1M Facility of $363 were funded.

Related Party Indemnity

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

14. Other Assets

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

	December 31, 2022			December 31, 2021		
	Gross	**Provision**	**Net**	**Gross**	**Provision**	**Net**
Receivable from Atlas Mara	**1,016**	**429**	**587**	2,068	880	1,188
Sales tax refundable	**2,504**	**2,446**	**58**	2,497	2,446	51
Other	**187**	**–**	**187**	151	–	151
	3,707	**2,875**	**832**	4,716	3,326	1,390

Loss on uncollectible accounts receivable in 2022 and 2021 was comprised as follows:

	December 31, 2022			December 31, 2021		
	Unrealized gain on uncollectible accounts receivable	Realized gain/loss on uncollectible accounts receivable	Total gain on uncollectible accounts receivable	Unrealized loss on uncollectible accounts receivable	Realized gain/loss on uncollectible accounts receivable	Total loss on uncollectible accounts receivable
Receivable from Atlas Mara	–	–	–	880	2,747	3,627
Sales tax refundable	–	–	–	2,446	–	2,446
	–	–	–	3,326	2,747	6,073

Receivable from Atlas Mara

At December 31, 2022 the receivable from Atlas Mara relates to the guarantee provided by the company to TLG Capital on the TLG Facility.

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

In October 2021, Atlas Mara completed the sale of its equity interest in Atlas Mara Botswana to Access Bank and the portion of the Atlas Mara Botswana shares which were pledged as security for the Atlas Mara Facility were subsequently released by the company to facilitate the sale. On October 14, 2021, the company received partial repayment for the TLG Facility Guarantee of $3,660.

During the second quarter of 2022, the sale of the Atlas Mara interest in UBN was completed and the company received partial repayment of $601 on the TLG Facility Guarantee upon Atlas Mara receiving proceeds from the UBN sale. The company expects further repayments on the TLG Facility Guarantee as Atlas Mara receives the remaining tranche of proceeds from the sale.

At December 31, 2022, the company estimated the recoverable amount on its receivable from Atlas Mara to be $587 based on amounts received and expected to be received from the UBN sale.

In 2022, the company recorded a loss of $nil in loss on uncollectible accounts receivable within the consolidated statements of loss and comprehensive loss (2021 – $3,627) related to the receivable from Atlas Mara.

15. 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 Portfolio Investments.

16. General and Administration Expenses

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

	2022	2021
Audit, legal and tax professional fees	**4,543**	3,307
Administrative expenses	**3,102**	877
Management services fees (note 13)	**835**	1,832
Salaries and employee benefit expenses	**6,109**	4,506
Brokerage fees	**34**	40
	14,623	10,562

17. Legal Proceedings

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

18. Supplementary Cash Flow Information

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

	December 31, 2022	December 31, 2021
Cash and balances with banks	**49,473**	35,511
Cash equivalents	**75,768**	40,773
	125,241	76,284

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

	2022	2021
Purchases of investments		
Limited partnership investments	**(8,380)**	(31,967)
Common shares	**–**	(45,528)
Loans	**(24,309)**	(9,600)
	(32,689)	(87,095)
Disposals of investments		
Loans	**4,365**	11,325
Bonds	**20,000**	–
Common stocks	**10,264**	7,433
	34,629	**18,758**
Interest received (paid)		
Interest received	**8,615**	1,988
Interest paid on borrowings	**(3,000)**	(2,268)
	5,615	(280)
Dividends received	**950**	345
Income taxes paid	**(51)**	(1,286)

19. Reclassification of Comparative Amounts

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

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

Directors of the company

Kofi Adjepong-Boateng
Co-Founder and Partner
Pembani Remgro Infrastructure Managers
Senior Operating Partner
Sanlam Africa Real Estate Advisor Pty Ltd.

Ken Costa
Partner and Co-Chairman
Alvarium Investments
Chairman of the company (as of Mar. 2021)

Lieutenant-General (ret.) Roméo Dallaire
President
Roméo Dallaire Inc.

Christopher D. Hodgson
President
Ontario Mining Association

Tope Lawani
Co-Founder and Managing Partner
Helios Investment Partners LLP
Co-Chief Executive Officer of the company

Quinn McLean
Managing Director, Middle East and Africa
Hamblin Watsa Investment Counsel

Sahar Nasr
Professor, School of Business, Department of Economics
American University in Cairo

Babatunde Soyoye
Co-Founder and Managing Partner
Helios Investment Partners LLP
Co-Chief Executive Officer of the company

Masai Ujiri
Vice Chairman and President
Toronto Raptors
Co-Founder
Giants of Africa

Operating Management
HFP South Africa Investments Proprietary Limited
HFP Investments Limited

Dylan Buttrick
Managing Director, South Africa and Mauritius

Officers of the company

Belinda Blades
Chief Financial Officer

Ken Costa
Chairman

Luciana Germinario
Chief Operational Officer (as of Nov. 2022)

Julia Gray
General Counsel and Corporate Secretary (as of Apr. 2022)

Tope Lawani
Co-Chief Executive Officer

Jennifer Pankratz
General Counsel and Corporate Secretary (until Mar. 2022)

Babatunde Soyoye
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Toronto Stock Exchange
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Annual Meeting
The annual meeting of the shareholders of Helios Fairfax Partners Corporation will be held on Thursday May 11, 2023 at 2:00 p.m. (Toronto time)
at Lumi, 200 Bay Street, North Tower, Suite 1600 in Toronto

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