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.

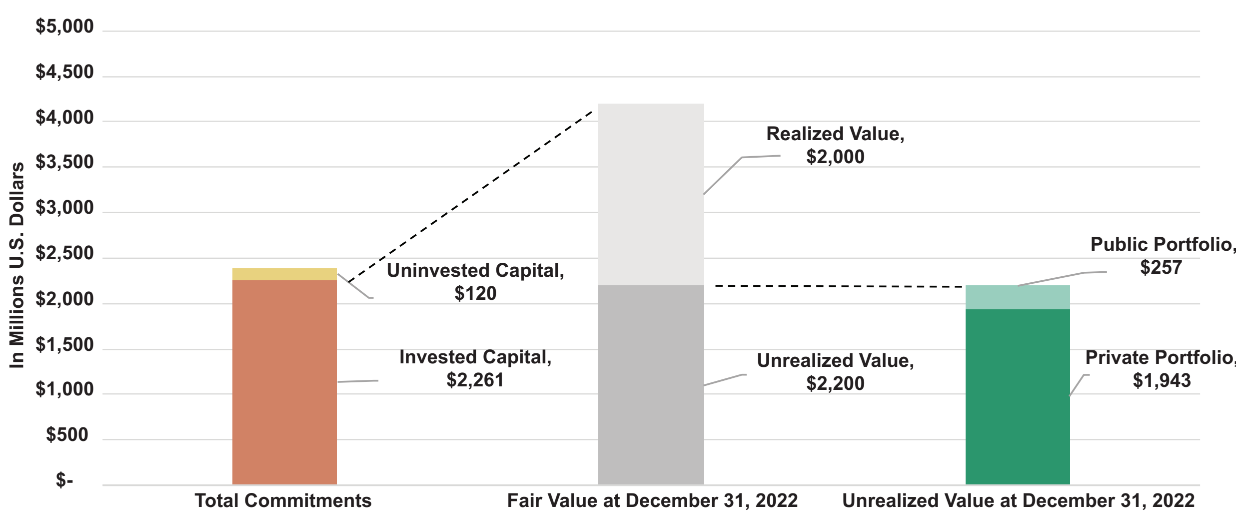
Business Overview

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.

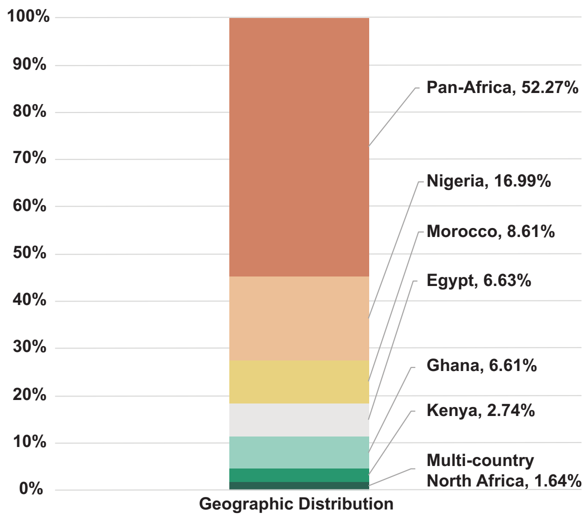
The Helios fee streams to which TopCo LP is entitled currently derive principally from three private equity funds managed by Helios. Each fund was formed with the purpose of investing in African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent 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.

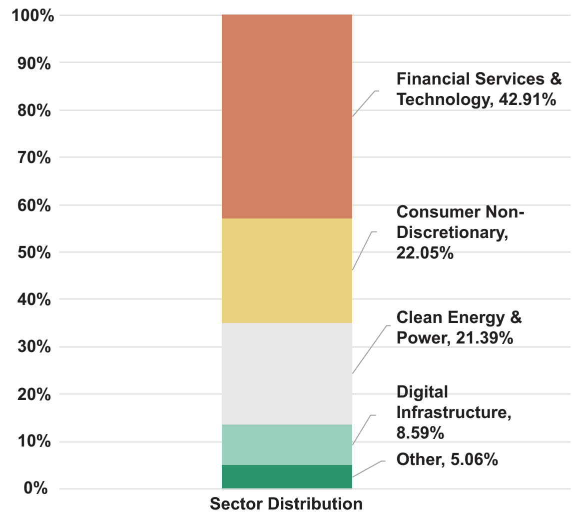
Helios Fund II, in which TopCo LP is entitled to a 25% share of the general partner's carried interest, is a private equity fund domiciled in the Cayman Islands that was formed in 2009 with $908,500 in committed capital; Helios Fund III (25% carried interest entitlement) is a private equity fund domiciled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