FAIRFAX AFRICA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended
March 31, 2019

Consolidated Balance Sheets
as at March 31, 2019 and December 31, 2018
(unaudited - US$ thousands)

	Notes	March 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	6, 14	**70,278**	230,858
Short term investments	6	**88,605**	38,723
Loans	5, 6	**50,506**	38,595
Bonds	5, 6	**67,015**	59,856
Common stocks	5, 6	**288,133**	270,284
Derivatives	5, 6	**2,306**	2,017
Total cash and investments		**566,843**	640,333
Interest receivable		**3,710**	2,472
Other assets		**1,469**	1,025
Total assets		**572,022**	643,830
Liabilities			
Accounts payable and accrued liabilities		**488**	531
Derivative obligation	5, 6	**—**	5,724
Payable to related parties	12	**1,841**	1,658
Income taxes payable		**2,785**	3,263
Borrowings	7	**—**	29,527
Deferred income taxes	10	**27**	—
Total liabilities		**5,141**	40,703
Equity			
Common shareholders' equity	8	**566,881**	603,127
		572,022	643,830

See accompanying notes.

Consolidated Statements of Earnings and Comprehensive Income
for the three months ended March 31, 2019 and 2018
(unaudited - US$ thousands except per share amounts)

	Notes	First quarter 2019	First quarter 2018
Income			
Interest	6	**5,470**	3,148
Net realized gains (losses) on investments	6	**(4,839)**	1,802
Net change in unrealized gains (losses) on investments	6	**(18,264)**	42,235
Net foreign exchange gains (losses)	6	**(484)**	6,731
		(18,117)	53,916
Expenses			
Investment and advisory fees	12	**1,795**	1,559
Performance fee	12	**—**	9,049
General and administration expenses	13	**1,227**	1,063
Interest expense	7	**617**	1,064
		3,639	12,735
Earnings (loss) before income taxes		**(21,756)**	41,181
Provision for (recovery of) income taxes	10	**(276)**	331
Net earnings (loss) and comprehensive income (loss)		**(21,480)**	40,850
Net earnings (loss) per basic share	9	**$ (0.35)**	$ 0.81
Net earnings (loss) per diluted share	9	**$ (0.35)**	$ 0.80
Shares outstanding (weighted average)	9	**61,969,443**	50,620,189

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2019 and 2018
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings (deficit)	Common shareholders' equity
Balance as of January 1, 2019	**340,518**	**300,000**	**(364)**	**(37,027)**	**603,127**
Net loss for the period	**—**	**—**	**—**	**(21,480)**	**(21,480)**
Purchases for cancellation (note 8)	**(17,760)**	**—**	**—**	**2,798**	**(14,962)**
Amortization	**—**	**—**	**22**	**—**	**22**
Tax benefit on share issuance costs (note 10)	**174**	**—**	**—**	**—**	**174**
Balance as of March 31, 2019	**322,932**	**300,000**	**(342)**	**(55,709)**	**566,881**
Balance as of January 1, 2018	193,326	300,000	—	23,410	516,736
Net earnings for the period	—	—	—	40,850	40,850
Amortization	—	—	23	—	23
Balance as of March 31, 2018	193,326	300,000	23	64,260	557,609

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2019 and 2018
(unaudited - US$ thousands)

		First quarter	
	Notes	**2019**	2018
Operating activities			
Net earnings (loss)		**(21,480)**	40,850
Items not affecting cash and cash equivalents:			
Net bond discount accretion		**(646)**	(202)
Payment in kind on loans and bonds	5	**(2,158)**	—
Deferred income taxes	10	**27**	—
Amortization of share-based payment awards		**22**	23
Net realized (gains) losses on investments	6	**4,839**	(1,802)
Net change in unrealized (gains) losses on investments	6	**18,264**	(42,235)
Net foreign exchange (gains) losses	6	**484**	(6,731)
Net purchases of short term investments		**(49,466)**	(28,589)
Purchases of investments	14	**(66,057)**	(46,504)
Sales of investments	14	**—**	25,399
Decrease in restricted cash in support of investments	7	**—**	162,519
Changes in operating assets and liabilities:			
Interest receivable		**(1,238)**	1,969
Income taxes payable		**(478)**	331
Payable to related parties		**183**	9,634
Other		**184**	(723)
Cash provided by (used in) operating activities		**(117,520)**	113,939
Financing activities			
Borrowings:	7		
Repayment		**(30,000)**	—
Increase in restricted cash in support of term loan		**—**	(554)
Subordinate voting shares:	8		
Purchases for cancellation		**(14,962)**	—
Cash used in financing activities		**(44,962)**	(554)
Increase (decrease) in cash and cash equivalents		**(162,482)**	113,385
Cash and cash equivalents - beginning of period		**230,858**	13,012
Foreign currency translation		**1,902**	70
Cash and cash equivalents - end of period		**70,278**	126,467

See accompanying notes.

Index to Notes to Interim Consolidated Financial Statements

1. Business Operations

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

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is principally engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 12 for details on Fairfax's voting rights and equity interest in the company.

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

2. Basis of Presentation

The company's interim consolidated financial statements for the three months ended March 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the company's annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB effective as at December 31, 2018.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on May 2, 2019.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements and the methods of computation are as set out in the company's annual consolidated financial statements for the year ended December 31, 2018, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented except as described below.

New accounting pronouncements adopted in 2019

The company adopted the following new standards and amendments, effective January 1, 2019. These changes were adopted in accordance with the applicable transitional provisions of each amendment, and did not have a significant impact on the company's consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments ("IFRIC 23")
IFRIC 23 clarifies how IAS 12 *Income Taxes* should be applied when there is uncertainty over income tax treatments.

IFRS Annual Improvements 2015-2017
These amendments clarify the requirements of four IFRS standards.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of critical estimates and judgments in the preparation of notes 5, 6 and 10 in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2018.

5. African Investments

Throughout the company's interim consolidated financial statements for the three months ended March 31, 2019, the term "African Investments" refers to deployed capital invested in Public and Private African Investments as disclosed within this note.

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

A summary of changes in the fair value of the company's Public and Private African Investments for the first quarters of 2019 and 2018 were as follows:

	First quarter							
	Balance as of January 1, 2019	Purchases	Re-payments/ conversions	Accretion of discount/ (amortization of premium)(1)	Net realized loss on investments	Net change in unrealized gains (losses) on investments(2)	Net foreign exchange losses on investments	Balance as of March 31, 2019
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	—	—	—	—	(8,635)	—	110,457
CIG(3)	3,886	44,905	—	—	—	(17,767)	(1,349)	29,675
Other(4)	28	—	—	—	—	(24)	(4)	—
Total Public African Investments	123,006	44,905	—	—	—	(26,426)	(1,353)	140,132
Private African Investments:								
Loans:								
AGH Facility	—	12,813	—	99	—	—	(585)	12,327
CIG	21,068	—	—	23	—	(1,015)	(54)	20,022
PGR2	17,527	—	—	—	—	678	(48)	18,157
	38,595	12,813	—	122	—	(337)	(687)	50,506
Bonds:								
Atlas Mara 11.0% Convertible Bonds(5)	16,334	443	—	(44)	—	90	—	16,823
Atlas Mara 7.5% Bonds	17,499	—	—	167	—	(259)	—	17,407
Nova Pioneer Bonds(6)	26,023	5,048	—	(15)	—	1,729	—	32,785
	59,856	5,491	—	108	—	1,560	—	67,015
Common stocks:								
Indirect equity interest in AGH(7)	111,888	—	—	—	—	764	(284)	112,368
Philafrica	23,463	—	—	—	—	329	(56)	23,736
GroCapital Holdings	11,927	—	—	—	—	—	(30)	11,897
	147,278	—	—	—	—	1,093	(370)	148,001
Derivatives:								
Atlas Mara Warrants	1,016	—	—	—	—	(383)	—	633
Nova Pioneer Warrants	1,001	167	—	—	—	505	—	1,673
	2,017	167	—	—	—	122	—	2,306
Derivative Obligation:								
CIG forward derivative liability(3)	(5,724)	—	4,839	—	(4,839)	5,724	—	—
Total Private African Investments	242,022	18,471	4,839	230	(4,839)	8,162	(1,057)	267,828
Total African Investments	365,028	63,376	4,839	230	(4,839)	(18,264)	(2,410)	407,960

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

(2) For all Private African Investments classified as Level 3 in the fair value hierarchy net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period, except for $5,724 reversal of the prior period unrealized loss upon settlement of the CIG forward derivative liability.

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

(4) At December 31, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. Subsequently during the first quarter of 2019 the common shares of the public company were de-listed.

(5) Purchases of $443 relate to capitalized interest.

(6) Purchases included capitalized interest of $1,715.

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

	First quarter					
	Balance as of January 1, 2018	Purchases	Re-payments/ conversions	Net change in unrealized gains (losses) on investments[1]	Net foreign exchange gains (losses) on investments	Balance as of March 31, 2018
Public African Investments:						
Common stocks:						
Atlas Mara	168,671	—	—	32,094	—	200,765
CIG	2,563	—	—	135	121	2,819
Other[2]	2,369	69	—	(987)	108	1,559
Total Public African Investments	173,603	69	—	31,242	229	205,143
Private African Investments:						
Loans:						
AGH Facility	24,233	—	(25,399)	—	1,166	—
Philafrica Facility	—	27,934	—	—	(83)	27,851
	24,233	27,934	(25,399)	—	1,083	27,851
Bonds:						
Nova Pioneer Bonds[3]	19,414	763	—	(894)	—	19,283
Common stocks:						
Indirect equity interest in AGH[4]	88,314	20,304	—	11,835	5,356	125,809
Derivatives:						
Nova Pioneer Warrants	520	—	—	52	—	572
Total Private African Investments	132,481	49,001	(25,399)	10,993	6,439	173,515
Total African Investments	306,084	49,070	(25,399)	42,235	6,668	378,658

(1) For all Private African Investments were classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting period.

(2) Comprised of common shares of a public company listed on the Johannesburg Stock Exchange.

(3) Purchases of $763 relate to capitalized interest.

(4) Acquired through the company's ownership in Joseph Holdings.

Public African Investments

The fair values of Fairfax Africa's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Investment in Atlas Mara Limited (Common Shares)

Atlas Mara Limited ("Atlas Mara") is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Atlas Mara was founded in 2013 with a vision to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The debt instruments and warrants are classified as Level 3 investments in the fair value hierarchy and are discussed in the Private African Investments section under the heading Investment in Atlas Mara (Debt Instruments and Warrants) later in note 5.

Atlas Mara Common Shares

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

At March 31, 2019 the fair value of the company's investment in Atlas Mara was $110,457 (December 31, 2018 - $119,092), comprised of 71,958,670 ordinary shares representing a 42.4% equity interest (December 31, 2018 - 42.4%). The changes in fair value of the company's investment in Atlas Mara for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in Consolidated Infrastructure Group (Common Shares)

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

The company's investment in CIG is comprised of common shares, a debt instrument and a derivative obligation which was settled on January 4, 2019 upon closing of the CIG Rights Offer (described below). The debt instrument and derivative obligation are classified as Level 3 investments in the fair value hierarchy and are discussed in the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in note 5.

CIG Common Shares

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

On January 4, 2019 upon closing of the previously announced CIG rights offer the company acquired 178,995,353 ordinary shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Debt Instrument and Derivative Obligation later in note 5) of $4,839 (67.7 million South African rand). Upon completion of this transaction the company held 194,522,481 ordinary shares of CIG, representing a 49.1% equity interest in CIG for net consideration of $48,946 (684.7 million South African rand).

At March 31, 2019 the fair value of the company's investment in CIG was $29,675 (December 31, 2018 - $3,886), comprised of 194,522,481 shares representing a 49.1% equity interest (December 31, 2018 - 7.9%). The changes in fair value of the company's investment in CIG for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in an Other Public African Investment

In 2017 and 2018 the company acquired less than 5.0% of the common shares of a public company in the infrastructure sector, listed on the Johannesburg Stock Exchange ("Other Public African Investment") for aggregate cash consideration of $2,055.

In the first quarter of 2019 the Other Public African Investment was de-listed from the Johannesburg Stock Exchange. The company does not expect any recoverability of its initial investment.

At March 31, 2019 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2018 - $28). The changes in fair value of the company's investment in the Other Public African Investment for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Private African Investments

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

Investment in AFGRI Holdings Proprietary Limited

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

Indirect Equity Interest in AGH

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

At March 31, 2019 Fairfax Africa had invested $96,680 in Joseph Holdings (comprised of 74.6% of the ordinary shares and 73.7% of the Class A shares of Joseph Holdings). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 44.7% indirect equity interest.

At March 31, 2019 the company estimated the fair value of its investment in the indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.2% to 24.9% and a long term growth rate of 3.0% (December 31, 2018 - 11.7% to 26.0% and 3.0% respectively). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018) by AGH's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates. At March 31, 2019 the company's internal valuation model indicated that the fair value of its 44.7% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $112,368 (December 31, 2018 - $111,888), comprised of the Class A shares and ordinary shares of Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

AGH Facilities

In June 2017 Fairfax Africa entered into a secured lending arrangement with AGH, pursuant to which Fairfax Africa provided $23,255 (300 million South African rand) of financing. On January 31, 2018 the facility was fully repaid in cash with the company receiving $25,399 (including accrued interest) and recognized a realized foreign exchange gain of $1,166 in the consolidated statements of earnings and comprehensive income in the first quarter of 2018.

On January 21, 2019 the company completed a second secured lending arrangement with AGH pursuant to which Fairfax Africa provided $12,813 (176.4 million South African rand) of financing (the "AGH Facility"). The AGH Facility earns interest at a rate of South African prime plus 2.0% payable on maturity on July 19, 2019.

In the first quarter of 2019 the company recorded interest income $403 (2018 - $383) within interest in the consolidated statements of earnings and comprehensive income related to the AGH Facility.

At March 31, 2019 the company estimated the fair value of its investment in the AGH Facility was $12,327 (December 31, 2018 - nil) which due to the short term to maturity of the investment, approximated its amortized cost. The changes in fair value of the AGH Facility for the first quarter of 2019 are presented in the tables disclosed earlier in note 5.

Investment in Philafrica Foods Proprietary Ltd.

Philafrica Foods Proprietary Ltd. ("Philafrica") is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking facilities, soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries), and a mussels farm and factory. Philafrica also has food-related businesses outside South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry joint venture in Mozambique. In addition to its 14 production plants (including newly acquired mussels and snack manufacturing operations) across the South African provinces of Gauteng, KwaZulu Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo, Philafrica also has operations in Mozambique.

Philafrica Common Shares

In November 2018 Fairfax Africa converted $23,254 (325 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 ordinary shares of Philafrica with the remainder of the facility fully repaid in cash. Upon completion of this transaction the company held a 26.0% equity interest in Philafrica with AGH's equity interest decreasing from 100.0% to 60.0%, with AGH maintaining control of Philafrica.

At March 31, 2019 the company estimated the fair value of its investment in Philafrica using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 13.3% to 23.3% and a long term grow rate of 3.0% (December 31, 2018 - 13.7% to 24.4% and 3.0%). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018) by Philafrica's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Philafrica operates. At March 31, 2019 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $23,736 (December 31, 2018 - $23,463) for the 26.0% equity interest. The changes in fair value of the company's equity interest in Philafrica for the first quarter of 2019 are presented in the table disclosed earlier in note 5.

Investment in GroCapital Holdings Proprietary Limited

GroCapital Holdings Proprietary Limited ("GroCapital Holdings") is a bank holding company that owns 99.9% of Grobank Limited ("Grobank", formerly known as the South African Bank of Athens Limited or "SABA")**.** Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to the medium-sized business market food with a focus on the agri-business value chain in the South African market, driven by a unique combination of banking and agri-business experience.

GroCapital Holdings Common Shares

In the fourth quarter of 2018 Fairfax Africa acquired a 35.0% equity interest in GroCapital Holdings and funded the company's pro rata contribution on capital calls, investing an aggregate cash consideration of $12,141 (171.6 million South African rand).

At March 31, 2019 the initial transaction price for the company's investment in GroCapital Holdings was considered to approximate fair value as there were no significant changes to its investment in Grobank's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continue to be valid. At March 31, 2019 the fair value of the company's investment in GroCapital Holdings was $11,897 (December 31, 2018 - $11,927). The changes in fair value of the company's equity interest in GroCapital Holdings for the first quarter of 2019 related to foreign exchange losses and is presented in the table disclosed earlier in note 5.

Subsequent to March 31, 2019

On April 16, 2019 GroCapital Holdings issued a capital call to its shareholders to fund their pro rata contribution, which was invested by GroCapital Holdings into Grobank to support the bank's capital adequacy requirements under South African regulations. On April 23, 2019 Fairfax Africa invested their pro rata contribution of the capital call of $2,288 (32.8 million South African rand) to GroCapital Holdings to maintain its 35.0% equity interest. Upon completion of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

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

The company's investment in CIG is comprised of common shares classified as Level 1 in the fair value hierarchy and a debt instrument and derivative obligation classified as Level 3 in the fair value hierarchy. The company's investment in CIG common shares is discussed in the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Share) earlier in note 5.

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand, plus a 2.5% raising fee for aggregate financing of 300 million South African rand) (the "CIG Loan"). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date of June 4, 2023.

At March 31, 2019 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 6.8% (December 31, 2018 - 7.8%) and estimated historical share price volatility of 63.9% (December 31, 2018 - 60.9%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $20,022 (December 31, 2018 - $21,068). The changes in fair value of the CIG Loan for the first quarter of 2019 are presented in the table disclosed earlier in note 5.

In the first quarter of 2019 the company recorded interest income $666 (2018 - nil) within interest in the consolidated statements of earnings and comprehensive income related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At December 31, 2018 the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer (refer to the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) earlier in note 5) gave rise to a forward derivative liability. On January 4, 2019 upon closing of the CIG Rights Offer the company settled the forward derivative liability with a fair value of $4,839, reducing the net consideration recorded for the shares acquired by the company in the CIG Rights Offer.

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

Investment in the PGR2 Loan (Debt Instrument)

In May 2018 in conjunction with the CIG Loan, Fairfax Africa entered into a secured lending agreement with PGR2 Investments Proprietary Limited ("PGR2"), the largest shareholder of CIG at the time of the transaction, pursuant to which the company provided PGR2 with $19,969 (260 million South African rand) of secured financing (the "PGR2 Loan"). The PGR2 Loan is secured by ordinary shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or capitalized to principal amount owing, with a maturity date of May 24, 2021.

At March 31, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 10.4% (December 31, 2018 - 11.9%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $18,157 (December 31, 2018 - $17,527). The changes in fair value of the PGR2 Loan for the first quarter of 2019 are presented in the table disclosed earlier in note 5.

In the first quarter of 2019 the company recorded interest income $703 (2018 - nil) within interest in the consolidated statements of earnings and comprehensive income related to the PGR2 Loan.

Investment in Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of common shares classified as Level 1 in the fair value hierarchy and debt instruments and warrants classified as Level 3 in the fair value hierarchy. The company's investment in Atlas Mara common shares is discussed in the Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) earlier in note 5. The Atlas Mara Bonds as discussed below are not rated.

Atlas Mara 11.0% Convertible Bonds

In April 2018 Fairfax Africa entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and in lieu of cash, the interest is payable in kind in the form of additional Atlas Mara bonds ("Atlas Mara 11.0% Convertible Bonds"). The bonds mature on December 11, 2019 with the option by Atlas Mara to extend the maturity by an additional year to December 11, 2020.

At March 31, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.3% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $16,823 (December 31, 2018 - $16,334).

Atlas Mara 7.5% Bonds plus Warrants

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

At March 31, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.3% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $17,407 (December 31, 2018 - $17,499).

At March 31, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.1% (December 31, 2018 - 34.5%). At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $633 (December 31, 2018 - $1,016).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5. In the first quarter of 2019 the company recorded interest income of $942 (2018 - nil) within interest in the consolidated statements of earnings and comprehensive income related to the Atlas Mara bonds.

Investment in Nova Pioneer Education Group

Nova Pioneer Education Group ("Nova Pioneer") is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2013 with its first school opening in South Africa in 2014. Since then, the company has expanded across South Africa and launched its first campus in Kenya in 2015. Nova Pioneer currently operates ten schools with a combined enrollment of approximately 3,850 students.

Nova Pioneer Bonds and Warrants

In December 2017 and the second half of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer, which consisted of: (i) $26,242 of debentures (inclusive of capitalized interest) with an interest rate of 20.0% per annum and mature on December 31, 2024 (the "Nova Pioneer Bonds"); and (ii) 2,477,293 warrants (the "Nova Pioneer Warrants") with an initial cost of $781. Each Nova Pioneer Warrant can be exercised by the company at a price of $2.06 per ordinary share of Ascendant. Other than in circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may be exercised after June 30, 2021. At December 31, 2018 the company had a remaining investment commitment of $9,227 to invest in Nova Pioneer Bonds and Warrants.

In January 2019 the company capitalized $1,715 of accrued interest to the principal amount owing and completed an additional $3,500 investment in Nova Pioneer comprised of Nova Pioneer Bonds and 350,000 Nova Pioneer Warrants with fair values on the date of investment of $3,333 and $167. Upon completion of this transaction, Fairfax Africa had invested an aggregate of $32,238 which was comprised of $31,290 in Nova Pioneer Bonds (inclusive of capitalized accrued interest to the principal amount owing) and $948 in 2,827,293 Nova Pioneer Warrants.

At March 31, 2019 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 16.7% (December 31, 2018 - 18.5%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Nova Pioneer and assumptions related to certain redemption options embedded in the bonds. At March 31, 2019 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $32,785 (December 31, 2018 - $26,023). The changes in fair value of the Nova Pioneer Bonds during the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

In the first quarter of 2019 the company recorded interest income of $1,555 (2018 - $1,024) within interest in the consolidated statements of earnings and comprehensive income related to the Nova Pioneer Bonds.

At March 31, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.80 (December 31, 2018 - $1.46). At March 31, 2019 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,673 (December 31, 2018 - $1,001). The changes in fair value of the Nova Pioneer Warrants during the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Subsequent to March 31, 2019

On April 1, 2019 the company completed an additional $2,000 investment in Nova Pioneer, comprised of Nova Pioneer Bonds and 200,000 Nova Pioneer Warrants, leaving a remaining investment commitment to Nova Pioneer of $3,727.

6. Cash and Investments

Fair Value Disclosures

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

	March 31, 2019				December 31, 2018			
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value of assets**	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets
Cash and cash equivalents	**70,278**	—	—	**70,278**	230,858	—	—	230,858
Short term investments - U.S. treasury bills	**88,605**	—	—	**88,605**	38,723	—	—	38,723
Loans:								
AGH Facility	—	—	**12,327**	**12,327**	—	—	—	—
CIG	—	—	**20,022**	**20,022**	—	—	21,068	21,068
PGR2	—	—	**18,157**	**18,157**	—	—	17,527	17,527
	—	—	**50,506**	**50,506**	—	—	38,595	38,595
Bonds:								
Atlas Mara 11.0% Convertible Bonds	—	—	**16,823**	**16,823**	—	—	16,334	16,334
Atlas Mara 7.5% Bonds	—	—	**17,407**	**17,407**	—	—	17,499	17,499
Nova Pioneer Bonds	—	—	**32,785**	**32,785**	—	—	26,023	26,023
	—	—	**67,015**	**67,015**	—	—	59,856	59,856
Common stocks:								
Atlas Mara	**110,457**	—	—	**110,457**	119,092	—	—	119,092
CIG	**29,675**	—	—	**29,675**	3,886	—	—	3,886
Other	—	—	—	—	28	—	—	28
Indirect equity interest in AGH	—	—	**112,368**	**112,368**	—	—	111,888	111,888
Philafrica	—	—	**23,736**	**23,736**	—	—	23,463	23,463
GroCapital Holdings	—	—	**11,897**	**11,897**	—	—	11,927	11,927
	140,132	—	**148,001**	**288,133**	123,006	—	147,278	270,284
Derivatives:								
Atlas Mara Warrants	—	—	**633**	**633**	—	—	1,016	1,016
Nova Pioneer Warrants	—	—	**1,673**	**1,673**	—	—	1,001	1,001
	—	—	**2,306**	**2,306**	—	—	2,017	2,017
Total cash and investments	**299,015**	—	**267,828**	**566,843**	392,587	—	247,746	640,333
Derivative obligation:								
CIG forward derivative liability[(1)]	—	—	—	—	—	—	(5,724)	(5,724)
Total cash and investments, net of derivative obligation	**299,015**	—	**267,828**	**566,843**	392,587	—	242,022	634,609
	52.8 %	—	**47.2 %**	**100.0 %**	61.9 %	—	38.1 %	100.0 %

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

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the first three months of 2019 and 2018 there were no transfers of financial instruments between Level 1 and Level 2 and there were no transfers of financial instruments in or out of Level 3 as a result of changes in the observability of valuation inputs. The changes in fair value of the company's Private African Investments (classified as Level 3) are disclosed in note 5.

The table that follows illustrates the potential impact on net earnings of various combinations of changes in unobservable inputs in the company's internal valuation model for its Private African Investments classified as Level 3 at March 31, 2019. The analysis assumes variations within a reasonably possible range determined by the company based on analysis of the return on various equity indexes, management's knowledge of the applicable equity markets and the potential impact of changes in interest rates. This sensitivity analysis excludes the company's investments in the AGH Facility and GroCapital Holdings as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	Fair value of Investment	Valuation Technique	Significant unobservable Inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement(1)	Hypothetical $ change effect on net earnings (1)
Loans:						
CIG Loan	$20,022	Discounted cash flow and option pricing model	Credit spread	6.8%	(468) / 483	(406) / 419
			Historical share price volatility	63.9%	nil / (312)	nil / (271)
PGR2 Loan	$18,157	Discounted cash flow and option pricing model	Credit spread	10.4%	(327) / 333	(240) / 245
Bonds:						
Atlas Mara 11.0% Convertible Bond	$16,823	Discounted cash flow and option pricing model	Credit spread	11.3%	(58) / 50	(50) / 43
Atlas Mara 7.5% Bond	$17,407	Discounted cash flow and option pricing model	Credit spread	11.3%	(386) / 396	(335) / 344
Nova Pioneer Bonds	$32,785	Discounted cash flow and option pricing model	Credit spread	16.7%	(580) / 584	(426) / 429
Common stocks:						
Indirect equity interest in AGH	$112,368	Discounted cash flow	After-tax discount rate	11.2% to 24.9%	(5,082) / 5,905	(4,409) / 5,123
			Long-term growth rate	3.0%	2,151 / (1,785)	1,866/ (1,548)
Philafrica	$23,736	Discounted cash flow	After-tax discount rate	13.3% to 23.3%	(1,272) / 1,393	(1,103) / 1,208
			Long-term growth rate	3.0%	473 / (452)	410 / (392)
Derivatives:						
Atlas Mara Warrants	$633	Discounted cash flow and option pricing model	Historical share price volatility	33.1%	324 / (9)	281 / (8)
Nova Pioneer Warrants	$1,673	Discounted cash flow and option pricing model	Share price	$1.80	154 / (151)	113 / (111)

(1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the above table shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates (50 basis points), long term growth rates (25 basis points), estimated share price volatility (minimum and maximum historical volatility over a two year period from the balance sheet date), changes in share price (5.0%) and credit spreads (100 basis points), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates or a decrease (increase) in after-tax discount rates, estimated share price volatility or credit spreads would result in a higher (lower) fair value of the company's Private African Investments classified as Level 3 in the fair value hierarchy.

Fixed Income Maturity Profile

Loans and bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At March 31, 2019 debt instruments containing call features represented $38,179 and $49,608 (December 31, 2018 - $38,595 and $42,357) of the total fair value of loans and bonds respectively. At March 31, 2019 and December 31, 2018 there were no debt instruments containing put features.

	March 31, 2019		December 31, 2018	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Loans:				
Due in 1 year or less	**12,912**	**12,327**	—	—
Due after 1 year through 5 years	**44,336**	**38,179**	44,313	38,595
	57,248	**50,506**	44,313	38,595
Bonds:				
Due in 1 year or less	**16,670**	**16,823**	16,271	16,334
Due after 1 year through 5 years	**49,249**	**50,192**	44,049	43,522
	65,919	**67,015**	60,320	59,856

Investment Income

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

Interest

	First quarter	
	2019	2018
Interest:		
Cash and cash equivalents	**785**	578
Restricted cash	**—**	681
Short term investments	**416**	203
Loans	**1,772**	662
Bonds	**2,497**	1,024
Total interest income	**5,470**	3,148

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

	First quarter					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[(1)]						
Short term investments - U.S. treasury bills:	**—**	**—**	**—**	(1)	—	(1)
Loans	**—**	**(337)**	**(337)**	—	—	—
Bonds	**—**	**1,560**	**1,560**	—	(894)	(894)
Common stocks	**—**	**(25,333)**	**(25,333)**	1,803	43,077	44,880
Derivatives	**(4,839)**	**5,846**	**1,007**	—	52	52
	(4,839)	**(18,264)**	**(23,103)**	1,802	42,235	44,037
Net foreign exchange gains (losses) on:[(1)]						
Cash and cash equivalents	**1,902**	**—**	**1,902**	70	—	70
Loans	**—**	**(687)**	**(687)**	1,166	(83)	1,083
Common stocks	**—**	**(1,723)**	**(1,723)**	—	5,585	5,585
Other	**—**	**24**	**24**	—	(7)	(7)
	1,902	**(2,386)**	**(484)**	1,236	5,495	6,731

(1) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private African Investments during the first quarters of 2019 and 2018.

7. Borrowings

	March 31, 2019			December 31, 2018		
	Principal	**Carrying value**	**Fair value**	Principal	Carrying value[(1)]	Fair value[(2)]
Revolving Credit Facility, floating rate, due March 21, 2019	**—**	**—**	**—**	30,000	29,527	30,000

(1) Principal net of unamortized issue costs.
(2) Principal approximated fair value at December 31, 2018.

Revolving Credit Facility

On September 7, 2018 the company entered into a $90,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 400 basis points (the "Credit Facility"). The Credit Facility has a maturity date of September 7, 2019 with an option to extend for an additional year on an annual basis and contained a financial covenant that required the company to maintain common shareholders' equity of not less than $600,000. On March 28, 2019 the Credit Facility was amended by reducing the financial covenant for common shareholders' equity to $500,000.

On December 21, 2018 the company drew $30,000 from the Credit Facility with a 3-month term that was repaid on March 21, 2019, along with accrued interest of $509. At March 31, 2019 the company was in compliance with the financial covenant requirement to maintain common shareholders' equity of not less than $500,000.

Interest Expense

In the first quarter of 2019 consolidated interest expense of $617 (2018 - $1,064) was comprised of interest expense of $447 (2018 - $1,064) and amortization of issuance costs of $170 (2018 - nil).

8. Common Shareholders' Equity

Common stock

The number of shares outstanding was as follows:

	First quarter	
	2019	2018
Subordinate voting shares - January 1	**32,811,965**	20,620,189
Purchases for cancellation	**(1,711,412)**	—
Subordinate voting shares - March 31	**31,100,553**	20,620,189
Multiple voting shares - beginning and end of period	**30,000,000**	30,000,000
Common shares effectively outstanding - March 31	**61,100,553**	50,620,189

Purchase of Shares

During the first quarter of 2019, under the terms of the normal course issuer bid, the company purchased for cancellation 1,711,412 subordinate voting shares (2018 - nil) for a net cost of $14,962 (2018 - nil) of which $2,798 was recorded as a benefit in retained earnings (2018 - nil).

9. Net Earnings per Share

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

	First quarter	
	2019	2018
Net earnings (loss) – basic and diluted	**(21,480)**	40,850
Weighted average shares outstanding – basic	**61,969,443**	50,620,189
Contingently issuable subordinate voting shares	**—**	696,846
Weighted average common shares outstanding – diluted	**61,969,443**	51,317,035
Net earnings (loss) per share - basic	**$ (0.35)**	$ 0.81
Net earnings (loss) per share - diluted	**$ (0.35)**	$ 0.80

At March 31, 2019 there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax (March 31, 2018 - 696,846). The performance fee is assessed quarterly and relates to the period from February 17, 2017 to December 31, 2019. Under the terms of the Investment Advisory Agreement (defined in note 12), if a performance fee is payable for the period ending on December 31, 2019, settlement of the performance fee will take place in subordinate voting shares of the company if the market price per share is less than two times the then book value per share. The number of subordinate voting shares to be issued would be calculated based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including December 31, 2019 ("VWAP"). Refer to note 12 for further details on the contingently issuable subordinate voting shares in the event that a performance fee is determined to be payable.

10. Income Taxes

The company's provision for (recovery of) income taxes for the three months ended March 31 are summarized in the following table:

	First quarter	
	2019	2018
Current income tax:		
Current year expense (recovery)	**(303)**	331
Deferred income tax:		
Origination and reversal of temporary differences	**27**	—
Provision for (recovery of) income taxes	**(276)**	331

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

The company's earnings (loss) before income taxes by jurisdiction and the associated provision for (recovery of) income taxes for the three months ended March 31 are summarized in the following table:

	First quarter							
	2019				2018			
	Canada	Mauritius	South Africa	Total	Canada	Mauritius	South Africa	Total
Earnings (loss) before income taxes	(1,277)	(5,154)	(15,325)	(21,756)	(5,926)	45,967	1,140	41,181
Provision for (recovery of) income taxes	(342)	39	27	(276)	129	26	176	331
Net earnings (loss)	(935)	(5,193)	(15,352)	(21,480)	(6,055)	45,941	964	40,850

The decrease in pre-tax losses in Canada in the first quarter of 2019 compared to the first quarter of 2018 primarily reflected increased interest income, decreased performance fee and interest expense, partially offset by net change in unrealized losses related to the company's investment in CIG common shares.

The decrease in pre-tax profitability in Mauritius in the first quarter of 2019 compared to the first quarter of 2018 primarily reflected decreased unrealized gains on investments (principally related to the company's investment in the Atlas Mara ordinary shares) and decreased foreign exchange gains (principally related to the company's indirect equity interest in AGH), partially offset by increased interest income.

The decrease in pre-tax profitability in South Africa in the first quarter of 2019 compared to the first quarter of 2018 primarily reflected decreased unrealized gains on investments (principally related to the company's investments in CIG ordinary shares and CIG Loan) and a net realized foreign exchange gain on the first AGH facility recorded in the first quarter of 2018, partially offset by increased interest income.

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

	First quarter	
	2019	2018
Canadian statutory income tax rate	26.5%	26.5%
Provision for (recovery of) income taxes at the Canadian statutory income tax rate	(5,766)	10,913
Tax rate differential on losses incurred (income earned) outside of Canada	6,128	(12,676)
Change in unrecorded tax benefit of losses and temporary differences	89	(367)
Foreign exchange effect	(733)	2,461
Other including permanent differences	6	—
Provision for (recovery of) income taxes	(276)	331

The tax rate differential on losses incurred outside of Canada of $6,128 in the first quarter 2019 (2018 - income earned of $12,676) principally reflected the impact of net investment losses taxed in Mauritius at lower rates, partially offset by losses incurred in South Africa at marginally higher rates.

The change in unrecorded tax benefit of losses and temporary differences of $89 in the first quarter of 2019 (2018 - $367) principally reflected changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $89 (2018 -$1,030), partially offset by utilization of net operating loss carryforwards in Canada of nil (2018 - $1,397) with respect to the company's wholly-owned subsidiaries that were not recorded by the company, as the related pre-tax losses did not meet the recognition criteria under IFRS. At March 31, 2019 deferred tax assets in Canada of $4,540 (December 31, 2018 - $4,626) were not recorded by the company as it was not probable that those losses could be utilized by the company.

Foreign exchange effect of $733 in the first quarter of 2019 (2018 - $2,461) principally reflected the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its subsidiaries is the U.S. dollar.

11. Financial Risk Management

Overview

There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2019 compared to those identified at December 31, 2018, and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2018.

Market Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate because of changes in exchange rates and as a result, could produce an adverse effect on net earnings and common shareholders' equity when measured in U.S. dollars, the company's functional currency. At March 31, 2019 the company increased the holdings in African Investments which are partially denominated in the South African rand, decreasing the amount of assets that are denominated in U.S. dollars, which is the functional and presentation currency of the company. As a result, the company common shareholders' equity and net earnings may also be significantly affected by foreign currency movements as it pertains to the items denoted in the table that follows. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at March 31, 2019 compared to December 31, 2018.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in African countries may affect the company's common shareholders' equity and net earnings. The Portfolio Advisor and Fairfax actively monitor interest rates in African countries for the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at March 31, 2019 compared to December 31, 2018.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate due to changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at March 31, 2019 compared to December 31, 2018 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition.

The company's exposure to market price risk increased to $288,133 at March 31, 2019 from $270,284 at December 31, 2018 as a result of the company's additional investment in CIG (Level 1 investment in the fair value hierarchy), partially offset by unrealized losses on the company's investments in CIG and Atlas Mara (Level 1 investments in the fair value hierarchy). Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company and arises predominantly with respect to cash and cash equivalents, short term investments, and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the company's framework used to monitor, evaluate and manage credit risk at March 31, 2019 compared to December 31, 2018.

Cash and Cash Equivalents, and Short Term Investments

At March 31, 2019 the company's cash and cash equivalents of $70,278 (December 31, 2018 - $230,858) were comprised of $53,872 (December 31, 2018 - $169,398) at the holding company (principally in high credit quality Canadian financial institutions) and $16,406 (December 31, 2018 - $61,460) at the company's wholly-owned subsidiaries (principally $8,115 (December 31, 2018 - $55,032) held in deposit accounts with Grobank which will be used to finance additional investments in Nova Pioneer and GroCapital Holdings). The company monitors risks associated with cash and cash equivalents, and short term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions.

Investments in Debt Instruments

The company's risk management strategy for debt instruments is to limit the amount of credit exposure with respect to any one corporate issuer. While the company reviews third party credit ratings, it also carries out its own analysis and does not delegate the credit decision to rating agencies. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

At March 31, 2019 the company's debt instruments were all considered to be subject to credit risk with a fair value of $117,521 (December 31, 2018 - $98,451) representing 20.7% (December 31, 2018 - 15.5%) of the total cash and investments portfolio, net of the derivative obligation of nil (December 31, 2018 - $5,724).

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

	March 31, 2019	December 31, 2018
Loans:[(1)]		
AGH Facility	**12,327**	—
CIG	**20,022**	21,068
PGR2	**18,157**	17,527
	50,506	38,595
Bonds:[(1)]		
Atlas Mara 11.0% Convertible Bonds	**16,823**	16,334
Atlas Mara 7.5% Bonds	**17,407**	17,499
Nova Pioneer Bonds	**32,785**	26,023
	67,015	59,856
Total loans and bonds	**117,521**	98,451

(1) The company's African Investments in loans and bonds are not rated.

The company's exposure to credit risk from its investment in fixed income securities increased at March 31, 2019 compared to December 31, 2018 primarily reflecting the company's investments in the AGH Facility and the additional investment in Nova Pioneer Bonds, all of which have specific collateral arrangements or guarantees that mitigates the company's exposure to credit risk. The company assesses the creditworthiness of each new counterparty prior to entering into contracts. Management monitors credit risk from its African investments in debt instruments through reviewing financial performance of its counterparties, collateral arrangements, diversification, and other credit risk mitigation techniques.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable, if any, must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at March 31, 2019 compared to December 31, 2018.

The undeployed cash and investments at March 31, 2019 provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of additional investments in GroCapital Holdings and Nova Pioneer, investment and advisory fees, general and administration expenses and potentially corporate income taxes. On March 21, 2019 the company repaid the $30,000 of the drawn amount of the Credit Facility, along with accrued interest of $509. The company can draw upon the full $90,000 Credit Facility to supplement its cash needs, if required. The company expects to continue to receive investment income on its holdings of fixed income securities to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations. Refer to note 12 for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2019.

Concentration Risk

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

The company's holdings of Public and Private African Investments (see note 5) at March 31, 2019 and December 31, 2018 are summarized by the issuer's primary sector in the table below:

	March 31, 2019	December 31, 2018
Financial services	**157,217**	165,868
Food and agriculture	**148,431**	135,351
Infrastructure	**49,697**	19,258
Education	**34,458**	27,024
Other	**18,157**	17,527
	407,960	365,028

During the first quarter of 2019 the company's concentration risk in the financial services sector decreased primarily due to unrealized losses on the company's investment in Atlas Mara common shares. The company's concentration risk in the food and agriculture sector increased primarily due to the company's investment in the AGH Facility and unrealized gains on the indirect equity investment in AGH and the company's investment in Philafrica. The company's concentration risk in the infrastructure sector increased primarily due to the additional investment in CIG, partially offset by the unrealized losses on the investments in CIG and the CIG Loan. The company's concentration risk in the education sector increased as a result of the additional investment in Nova Pioneer, while the company's concentration risk in the other sector related to the PGR2 Loan.

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction)". The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2019 from December 31, 2018 principally as a result of the repayment of the drawn amount of the Credit Facility and net unrealized losses on investments as described above.

African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At March 31, 2019 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital, comprised of common shareholders' equity at March 31, 2019 (December 31, 2018 - common shareholders' equity and the drawn funds from the Credit Facility) decreased from $632,654 at December 31, 2018 to $566,881 at March 31, 2019, principally reflecting a decrease in common shareholders' equity, as described below, and the repayment of the drawn amount of the Credit Facility (see note 7 for details).

Common shareholders' equity decreased to $566,881 at March 31, 2019 from $603,127 at December 31, 2018 primarily reflecting a net loss of $21,480 in the first quarter of 2019 and the purchases for cancellation of 1,711,412 subordinate voting shares for a net cost of $14,962.

12. Related Party Transactions

Payable to Related Parties

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

	March 31, 2019	December 31, 2018
Investment and advisory fees	**1,795**	1,550
Other	**46**	108
	1,841	1,658

Investment Advisory Agreement

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company and its subsidiaries (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company and its Mauritius Sub pays an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity.

Performance Fee

The performance fee, if applicable, is accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019 (the "first calculation period") and for each consecutive three-year period thereafter. It is calculated on a cumulative basis, as 20.0% of any increase in common shareholders' equity per share (including distributions) above a 5.0% per annum increase. The amount of common shareholders' equity 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". At March 31, 2019 the company determined that there was no performance fee accrual (December 31, 2018 - nil) as the book value per share of $9.28 (before factoring in the impact of the performance fee) at March 31, 2019 was less than the hurdle per share at that date of $11.14.

If a performance fee is payable for the first calculation period, it will be paid within 30 days after the company issues its annual audited consolidated financial statements, in subordinate voting shares of the company unless the market price per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the VWAP of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period in respect of which the performance fee is paid. At March 31, 2019 there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax (December 31, 2018 - nil).

In the first quarter of 2019 the company did not record a performance fee (2018 - $9,049) in the consolidated statements of earnings and comprehensive income.

Investment and Advisory Fees

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In the first quarter of 2019 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. The investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income in the first quarter of 2019 were $1,795 (2018 - $1,559).

In the first quarter of 2019 the investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income was $1,795 (2018 - $1,559).

Fairfax's Voting Rights and Equity Interest

Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 6,885,421 subordinate voting shares (December 31, 2018 - 30,000,000 and 6,885,421 respectively) of Fairfax Africa. At March 31, 2019 Fairfax's holdings of multiple and subordinate voting shares represented 98.4% of the voting rights and 60.4% of the equity interest in Fairfax Africa (December 31, 2018 - 98.3% and 58.7%).

Other

Deposits on Account with Grobank

At March 31, 2019 the company had $8,115 (December 31, 2018 - $55,032) held in deposit accounts with Grobank which will be used to finance additional investments in Nova Pioneer and GroCapital Holdings.

13. General and Administration Expenses

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

	First quarter	
	2019	2018
Audit, legal and tax professional fees	**329**	342
Administrative expenses	**357**	381
Salaries and employee benefit expenses	**528**	327
Brokerage fees	**13**	13
	1,227	1,063

14. Supplementary Cash Flow Information

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

	March 31, 2019	December 31, 2018
Cash and balances with banks	**18,110**	76,389
U.S. treasury bills	**52,168**	154,469
	70,278	230,858

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

	First quarter	
	2019	2018
(a) Purchases of investments		
Loans	**(12,813)**	(27,934)
Bonds	**(3,333)**	—
Common stocks	**(49,744)**	(18,570)
Derivatives	**(167)**	—
	(66,057)	(46,504)
(b) Sales of investments		
Loans	**—**	25,399
(c) Net interest received		
Interest received	**1,442**	3,861
Interest paid on borrowings	**(509)**	(1,055)
	933	2,806

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

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

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three months ended March 31, 2019 and the company's 2018 Annual Report.

(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") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*, and is presented in U.S. dollars which is also the functional currency of the company and its consolidated subsidiaries.

(3) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity at the end of the period, determined in accordance with IFRS, divided by the total number of common shares of the company effectively outstanding on that date. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee payable, if any, to Fairfax Financial Holdings Limited ("Fairfax").

(4) Throughout this MD&A, the term "African Investments" refers to deployed capital in Public and Private African Investments as disclosed in note 5 (African Investments) to the interim consolidated financial statements for the three months ended March 31, 2019.

Business Developments

Overview

Fairfax is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is principally engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Fairfax Africa's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FAH.U. The multiple voting shares of the company are not traded.

The book value per share at March 31, 2019 was $9.28 compared to $9.60 at December 31, 2018 representing a decrease of 3.3% in the first quarter of 2019, primarily due to a net loss of $21,480 (principally due to unrealized losses on the company's Public African Investments, partially offset by unrealized gains on the Nova Pioneer Bonds and the company's investments in the indirect equity interest in AGH and investment in Philafrica).

The following narrative sets out the company’s key business developments in the first quarter of 2019.

Capital Transactions

On December 21, 2018 the company drew $30,000 from its $90,000 secured revolving demand credit facility (the "Credit Facility") with a 3-month term that was repaid on March 21, 2019, along with accrued interest of $509. For a detailed analysis refer to note 7 (Borrowings) to the interim consolidated financial statements for three months ended March 31, 2019.

African Investments

Full descriptions of the African Investments committed to and completed in the first quarter of 2019 are provided in the African Investments section of this MD&A.

Operating Environment

Sub-Saharan Africa

In its April 2019 Africa's Pulse report, the World Bank's bi-annual analysis of the state of African economies, forecast growth in Sub-Saharan Africa ("SSA") was 2.3% in 2018, down slightly from 2.5% in 2017. These figures include certain low-growth markets where Fairfax Africa's portfolio companies do not operate. Regional growth is expected to rebound to 2.8% in 2019, which is primarily attributable to a rebound in Nigeria and modest recovery in South Africa (see below). South Africa and Nigeria account for approximately half of Africa's GDP. The remaining half of this expected growth is driven by public infrastructure investments in Kenya, Ethiopia, Côte d'Ivoire, Ghana, Senegal and Rwanda, which are averaging expected growth of over 6.0%.

South Africa

According to the Rand Merchant Bank, the South African economy is expected to contract by 1.5% in the first quarter of 2019 from the prior year comparable period. The expected contraction means that GDP growth would need to average 2.2% quarter-on-quarter for the remaining three quarters for growth to average 1.0% in 2019. This modest growth is reflective of continued weak activity in most of the major industrial sectors with upside potential should the agriculture sector rebound. The uncertainty over upcoming land reform policies continues to constrain growth in South Africa.

Nigeria

On May 29, 2019 the incumbent president, Muhammadu Buhari, will be sworn in after winning the country's general elections held on February 24, 2019. Mr. Buhari has identified fighting corruption, increasing security, tackling unemployment, diversifying the economy, enhancing climate resilience and boosting the living standards of Nigerians as the main policy priorities his government will seek to continue to pursue in his second term, which runs until 2023.

Kenya

According to the Kenya National Bureau of Statistics, Kenya's economy experienced a dip in growth of 4.9% in 2017 due to the compound effect of adverse weather conditions, which contributed to under performance in the agricultural sector, a tight credit environment and a prolonged election cycle. Despite this, Kenya remains one of the world's most consistent high-growth economies, with GDP growth of 5.8% in 2018. According to the World Bank, dry weather across much of the country is likely to curb economic growth in 2019 to 5.7%, down slightly from its previous forecast of 5.8%.

Business Objectives

Investment Objective

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

Investment Restrictions

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction)". The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2019 from December 31, 2018 principally as a result of the repayment of the drawn amount of the Credit Facility and net unrealized losses on investments.

The company intends to make multiple different investments as part of its prudent investment strategy. African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At March 31, 2019 the company determined that it was in compliance with the Investment Concentration Restriction.

African Investments

Cautionary Statement Regarding Financial Information of Significant African Investments

Fairfax Africa has agreed to voluntarily provide within its MD&A, summarized unaudited financial information prepared for all of its African Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* AFGRI Group Holdings Proprietary Limited ("AGH") and Consolidated Infrastructure Group Limited ("CIG") (a listed entity on the Johannesburg Stock Exchange), prepare their financial statements in accordance with IFRS as issued by IASB. Atlas Mara Limited ("Atlas Mara"), a listed entity on London Stock Exchange, prepares its financial statements in accordance with IFRS as adopted by the European Union (AGH, Atlas Mara and CIG collectively, "Significant African Investments"). The company is limited in respect to the amount of independent verification it is able to perform with respect to the financial statements of the Significant African Investments. Such unaudited financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS, and provided to the company in their underlying functional currencies.

The company's investments in AGH, CIG and Atlas Mara's fiscal years each end on March 31, August 31 and December 31 respectively. Summarized financial information of the company's Significant African Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant African Investments' summarized financial information should be read in conjunction with Fairfax Africa's historical interim and annual consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax Africa's other public filings.

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

Summary of African Investments

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

	March 31, 2019					December 31, 2018			
	Date Acquired	**Ownership %**	**Net cash consideration**	**Fair value**	**Net change**	Ownership %	Net cash consideration	Fair value	Net change
Public African Investments:									
Common Stocks:									
Atlas Mara	August and December 2017	42.4%	159,335	110,457	(48,878)	42.4%	159,335	119,092	(40,243)
CIG	Fourth quarters of 2017 and 2018, and January 2019	49.1%	53,785	29,675	(24,110)	7.9%	4,041	3,886	(155)
Other[1]	Various	<5%	2,055	—	(2,055)	<5%	2,055	28	(2,027)
			215,175	140,132	(75,043)		165,431	123,006	(42,425)
Private African Investments:									
Loans:									
AGH Facility	January 2019		12,813	12,327	(486)		—	—	—
CIG	June 2018		23,270	20,022	(3,248)		23,270	21,068	(2,202)
PGR2	June and December 2018		19,969	18,157	(1,812)		19,969	17,527	(2,442)
			56,052	50,506	(5,546)		43,239	38,595	(4,644)
Bonds:									
Atlas Mara 11.0% Convertible Bonds	December 2018		15,040	16,823	1,783		15,040	16,334	1,294
Atlas Mara 7.5% Bonds	November 2018		16,476	17,407	931		16,476	17,499	1,023
Nova Pioneer Bond	Third and fourth quarters of 2017 and 2018, and January 2019		27,325	32,785	5,460		23,992	26,023	2,031
			58,841	67,015	8,174		55,508	59,856	4,348
Common Stocks:									
Indirect equity interest in AGH	February 2017, January and November 2018	44.7%	94,877	112,368	17,491	44.7%	94,877	111,888	17,011
Philafrica	November 2018	26.0%	23,254	23,736	482	26.0%	23,254	23,463	209
GroCapital Holdings	Fourth quarter of 2018	35.0%	12,141	11,897	(244)	35.0%	12,141	11,927	(214)
			130,272	148,001	17,729		130,272	147,278	17,006
Derivatives:									
Atlas Mara Warrants	November 2018		2,324	633	(1,691)		2,324	1,016	(1,308)
Nova Pioneer Warrants	Third and fourth quarters of 2017 and 2018, and January 2019		948	1,673	725		781	1,001	220
			3,272	2,306	(966)		3,105	2,017	(1,088)
Derivative Obligation:									
CIG forward derivative liability[2]	May 2018		—	—	—		—	(5,724)	(5,724)
			248,437	267,828	19,391		232,124	242,022	9,898
Total African Investments			463,612	407,960	(55,652)		397,555	365,028	(32,527)

(1) At December 31, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. Subsequently during the first quarter of 2019 the common shares of the public company were de-listed.

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

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

A summary of changes in the fair value of the company's Public and Private African Investments for the first quarters of 2019 and 2018 were as follows:

	First quarter							
	Balance as of January 1, 2019	Purchases	Re-payments/ conversions	Accretion of discount/ (amortization of premium)[1]	Net realized loss on investments	Net change in unrealized gains (losses) on investments	Net foreign exchange losses on investments	Balance as of March 31, 2019
Public African Investments:								
Common stocks:								
Atlas Mara	119,092	—	—	—	—	(8,635)	—	110,457
CIG[2]	3,886	44,905	—	—	—	(17,767)	(1,349)	29,675
Other	28	—	—	—	—	(24)	(4)	—
Total Public African Investments	123,006	44,905	—	—	—	(26,426)	(1,353)	140,132
Private African Investments:								
Loans:								
AGH Facility	—	12,813	—	99	—	—	(585)	12,327
CIG	21,068	—	—	23	—	(1,015)	(54)	20,022
PGR2	17,527	—	—	—	—	678	(48)	18,157
	38,595	12,813	—	122	—	(337)	(687)	50,506
Bonds:								
Atlas Mara 11.0% Convertible Bonds[3]	16,334	443	—	(44)	—	90	—	16,823
Atlas Mara 7.5% Bonds	17,499	—	—	167	—	(259)	—	17,407
Nova Pioneer Bonds[4]	26,023	5,048	—	(15)	—	1,729	—	32,785
	59,856	5,491	—	108	—	1,560	—	67,015
Common stocks:								
Indirect equity interest in AGH[5]	111,888	—	—	—	—	764	(284)	112,368
Philafrica	23,463	—	—	—	—	329	(56)	23,736
GroCapital Holdings	11,927	—	—	—	—	—	(30)	11,897
	147,278	—	—	—	—	1,093	(370)	148,001
Derivatives:								
Atlas Mara Warrants	1,016	—	—	—	—	(383)	—	633
Nova Pioneer Warrants	1,001	167	—	—	—	505	—	1,673
	2,017	167	—	—	—	122	—	2,306
Derivative Obligation:								
CIG forward derivative liability[2]	(5,724)	—	4,839	—	(4,839)	5,724	—	—
Total Private African Investments	242,022	18,471	4,839	230	(4,839)	8,162	(1,057)	267,828
Total African Investments	365,028	63,376	4,839	230	(4,839)	(18,264)	(2,410)	407,960

(1) Recorded in interest in the consolidated statement of earnings and comprehensive income.
(2) Related to the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer which was settled on January 4, 2019.
(3) Purchases of $443 relate to capitalized interest.
(4) Purchases included capitalized interest of $1,715.
(5) Acquired through the company's ownership in Joseph Holdings.

	First quarter					
	Balance as of January 1, 2018	Purchases	Re-payments/ conversions	Net change in unrealized gains (losses) on investments	Net foreign exchange gains (losses) on investments	Balance as of March 31, 2018
Public African Investments:						
Common stocks:						
Atlas Mara	168,671	—	—	32,094	—	200,765
CIG	2,563	—	—	135	121	2,819
Other	2,369	69	—	(987)	108	1,559
Total Public African Investments	173,603	69	—	31,242	229	205,143
Private African Investments:						
Loans:						
AGH Facility	24,233	—	(25,399)	—	1,166	—
Philafrica Facility	—	27,934	—	—	(83)	27,851
	24,233	27,934	(25,399)	—	1,083	27,851
Bonds:						
Nova Pioneer Bonds(1)	19,414	763	—	(894)	—	19,283
Common stocks:						
Indirect equity interest in AGH(2)	88,314	20,304	—	11,835	5,356	125,809
Derivatives:						
Nova Pioneer Warrants	520	—	—	52	—	572
Total Private African Investments	132,481	49,001	(25,399)	10,993	6,439	173,515
Total African Investments	306,084	49,070	(25,399)	42,235	6,668	378,658

(1) Purchases of $763 relate to capitalized interest.

(2) Acquired through the company's ownership in Joseph Holdings.

Public African Investments

The fair values of Fairfax Africa's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Investment in Atlas Mara Limited (Common Shares)

Business Overview

Atlas Mara Limited ("Atlas Mara") is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Atlas Mara was founded in 2013 with a vision to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The debt instruments and warrants are discussed in the Private African Investments section under the heading Investment in Atlas Mara Limited (Debt Instruments and Warrants) later in this MD&A.

Atlas Mara's principal lines of business are comprised of:

i. Retail and commercial banking that operate under the brand names ABC Holdings Limited ("BancABC") (across Botswana, Zambia, Zimbabwe, Mozambique and Tanzania), Banque Populaire du Rwanda ("BPR") and an investment in associate in Union Bank of Nigeria ("UBN");
ii. Markets and treasury segment; and
iii. a Digital Banking operations.

Transaction Description

Atlas Mara Common Shares

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

Key Business Drivers, Events, and Risks

Atlas Mara's key business drivers relate to its ability to penetrate geographically diverse segments of the financial services industry in SSA, particularly in the corporate and retail markets aiming to offer differentiated products and services to top tier national companies and the retail segment.

Consistent with its on-going strategic review Atlas Mara is focused on its priorities, including partnering in or exiting markets where there is no clear near-term path to acceptable scale and profitability. In addition, Atlas Mara aims to fully streamline its platform to align with a simpler group structure and upgrade its information technology systems group-wide. A significant component of Atlas Mara's portfolio is its investment in associate UBN with continued efforts to increase its shareholding. Atlas Mara's investment in UBN provides the company with a strong footprint in the financial services sector in Nigeria, Africa's largest economy. Atlas Mara and UBN's management continue to monitor the impact of oil prices and foreign currency changes on the credit and capital positions.

IFRS 9 Financial Instruments ("IFRS 9") was fully adopted by Atlas Mara in 2018, whereby significant after-tax adjustments were made to opening retained earnings upon adoption. The impact of IFRS 9, as a result of the new expected credit losses model compared to the incurred losses model under IAS 39 Financial Instruments: Recognition and Measurement, was seen across the banking industry in all of the countries that Atlas Mara operates, with higher loan credit loss provisions required. As a result of IFRS 9, credit loss provisions for the banking industry are expected to be more volatile, as it requires external data including estimates of future conditions.

Zimbabwe's economy is at a crossroads as the country faces challenges relating to: (i) fiscal consolidation and financial sector stabilization; (ii) stimulating growth and investment to increase revenue collection and foreign exchange generation; (iii) protecting social gains; and, (iv) improving governance outcomes through continued legislative and institutional reforms. According to the Zimbabwean Treasury, the economy grew 4.0% in 2018, below an initial target of 4.5% as the country struggles with severe shortage of foreign currency and surging inflation. During February 2019 the Reserve Bank of Zimbabwe ("RBZ") announced the establishment of an interbank foreign exchange market which would formalize the trading of the Real-time Gross Settlement dollars (“RTGS”) with the U.S. dollar. This effectively resulted in the replacement of the 1:1 peg of the RTGS dollar to the U.S. dollar which has been in circulation within the banking system of Zimbabwe, with a formal interbank foreign currency market at a rate of 2.5:1 RTGS to the U.S. dollar. Atlas Mara's banking operation in Zimbabwe negatively impacted Atlas Mara's consolidated financial position as a result of this change in the foreign currency regime of the country.

Subsequent to March 31, 2019

On April 30, 2019 Atlas Mara announced a proposed strategic transaction with Equity Group Holdings Plc ("Equity Group") whereby Equity Group will acquire Atlas Mara’s shareholdings in: (i) Banque Populaire du Rwanda; (ii) African Banking Corporation Zambia; (iii) African Banking Corporation Tanzania; and, (iv) African Banking Corporation Mozambique in a share exchange transaction with Equity Group. The transaction is expected to close in the fourth quarter of 2019 or the first quarter of 2020, subject to confirmatory due diligence, customary closing conditions and regulatory approval depending on the jurisdiction.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the fair value of the company's investment in Atlas Mara was $110,457 (December 31, 2018 - $119,092), comprised of 71,958,670 ordinary shares representing a 42.4% equity interest (December 31, 2018 - 42.4%). The changes in fair value of the company's investment in Atlas Mara for the first quarters of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A. Atlas Mara's share price decreased by 7.2% from $1.66 per share at December 31, 2018 to $1.54 per share at March 31, 2019.

Atlas Mara's Summarized Financial Information

Atlas Mara and the company's fiscal years both end on December 31. Summarized below are Atlas Mara's balance sheets at December 31, 2018 and 2017.

Balance Sheets
(US$ thousands)

	December 31, 2018	December 31, 2017[1]
Financial Assets	**1,936,454**	2,244,895
Non-Financial Assets	**868,272**	895,490
Financial Liabilities	**2,048,490**	2,230,371
Non-Financial Liabilities	**67,298**	96,790
Shareholders' equity	**688,938**	813,224

(1) Certain prior year comparative figures have been reclassified to be consistent with current year's presentation.

The currency change in Zimbabwe to the RTGS resulted in significant foreign currency translation losses related to the revaluation of BancABC Zimbabwe's monetary assets and liabilities at December 31, 2018. Financial assets and non-financial assets decreased primarily reflecting unfavourable foreign currency translation during the period, in particular due to the devaluation of RTGS. Financial liabilities and non-financial liabilities decreased primarily reflecting decreased deposits from customers and other liabilities. Shareholders' equity decreased primarily due to after-tax adjustments to opening retained earnings from the adoption of IFRS 9 and other comprehensive losses as a result of foreign currency translation losses noted above, partially offset by net earnings during the period as discussed below.

Summarized below are Atlas Mara's statements of earnings for the fiscal years ended December 31, 2018 and 2017.

Statements of Earnings
(US$ thousands)

	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	**231,369**	260,453
Earnings before taxes	**46,964**	53,054
Net earnings	**42,217**	47,786

Revenues decreased primarily due to lower interest income on loans driven by contraction of the loan book, lower net interest margins and tighter market liquidity in addition to a decline in net trading revenue attributable to depressed trading volumes. Net earnings decreased primarily relating to decreased revenue described earlier and increased operating expenses, partially offset by improved performance from its investment in associate UBN, a gain on its additional investment in UBN and lower credit impairments as a result of recoveries and overall improvement in credit quality.

Investment in Consolidated Infrastructure Group (Common Shares)

Business Overview

Consolidated Infrastructure Group Limited ("CIG") is a Pan-African engineering infrastructure company listed on the Johannesburg Stock Exchange under the stock symbol CIL. CIG has a diversified portfolio of operations including services and materials in power and electrical, oil and gas, building materials and the railway sector, with a footprint that spans over 20 African countries and the Middle East. Historically, over 71% of CIG's net earnings has been derived outside of South Africa.

The company's investment in CIG is comprised of common shares, a debt instrument and a derivative obligation which was settled on January 4, 2019 upon closing of the CIG Rights Offer (described below). The debt instrument and derivative obligation are discussed in the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in this MD&A.

CIG's principal lines of business are comprised of:

i. Power business that includes Conco Group (a power infrastructure services provider), Consolidated Power Maintenance Proprietary Limited (operational and maintenance services to wind farms, solar parks, municipalities and utilities), CIGenCo SA Proprietary Limited (renewable energy provider) and Conlog Proprietary Limited (metering solution provider);
ii. Consolidated Building Materials through Drift Supersand Proprietary Limited and West End Claybrick Proprietary Limited;
iii. Oil and Gas business through 35.0% equity interest in Angola Environmental Servicos Limitada; and
iv. Rail electrification and maintenance.

Transaction Description

CIG Common Shares

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

On January 4, 2019 upon closing of the previously announced CIG rights offer the company acquired 178,995,353 ordinary shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Debt Instrument and Derivative Obligation later in this MD&A) of $4,839 (67.7 million South African rand). Upon completion of this transaction the company held 194,522,481 ordinary shares of CIG, representing a 49.1% equity interest in CIG for net consideration of $48,946 (684.7 million South African rand).

Key Business Drivers, Events, and Risks

The CIG Rights Offer will enable the company to establish a strong and sustainable capital structure that will allow CIG to take advantage of long-term value creation opportunities in the markets that it serves through its diversified portfolio of businesses. Specifically:

- Right-sizing the operations of Conco Group ("Conco") to ensure that it is running at optimum levels. Conco in the past had grown too fast and was in too many regions and countries, resulting in margin pressures, increased investments in working capital, and increased complexity in its operations. CIG is addressing the risks associated with restructuring Conco by assessing office and division closures, reducing working capital investments and borrowings;
- Organically growing its Conlog Proprietary Limited's smart metering business by establishing a prepaid meter leasing platform and funding additional capital expenditures to increase plant capacity;
- Investing in its pipeline of 7 renewable energy projects (219.5 megawatts) to generate annuity income; and
- Focusing on providing waste management services through Angola Environmental Servicos Limitada, an investment in associate, as the oil sector recovers, leading to more rigs coming online in Angola.

CIG's footprint extends across 20 African countries in addition to South Africa and the Middle East. Key markets for CIG outside South Africa include Angola, Ethiopia and Kenya.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the fair value of the company's investment in CIG was $29,675 (December 31, 2018 - $3,886), comprised of 194,522,481 shares representing a 49.1% equity interest (December 31, 2018 - 7.9%). The changes in fair value of the company's investment in CIG for the first quarters of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A. CIG's share price decreased by 38.9% from 3.60 South African rand per share at December 31, 2018 to 2.20 South African rand per share at March 31, 2019.

CIG's Summarized Financial Information

The company's fiscal year ends on December 31 and CIG's fiscal year ends on August 31. As of May 2, 2019 CIG had not yet publicly released its six months ended February 28, 2019 interim consolidated financial statements. Refer to the company's 2018 Annual Report, in the MD&A under Public African Investments section under the heading Investment in Consolidated Infrastructure Group (common shares) for an analysis on CIG's years ended August 31, 2018 and 2017 consolidated financial statements.

Investment in an Other Public African Investment

In 2017 and 2018 the company acquired less than 5.0% of the common shares of a public company in the infrastructure sector, listed on the Johannesburg Stock Exchange ("Other Public African Investment") for aggregate cash consideration of $2,055. In the first quarter of 2019 the Other Public African Investment was de-listed from the Johannesburg Stock Exchange. The company does not expect any recoverability of its initial investment.

At March 31, 2019 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2018 - $28). The changes in fair value of the company's investment in the Other Public African Investment for the first quarters of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Private African Investments

Cautionary Statement Regarding the Valuation of Private African Investments

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

Investment in AFGRI Holdings Proprietary Limited

Business Overview

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

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

AGH's principal lines of business are comprised of:

i. AFGRI Proprietary Limited (agricultural services company which focuses on grain management, silos, equipment, agricultural finance and insurance, retail and farmer development);
ii. Philafrica Foods Proprietary Ltd. ("Philafrica") (a food processing provider throughout the African continent, most notably in South Africa, Mozambique, Ghana and Côte d'Ivoire);
iii. GroCapital Advisory Services (collateral management solutions provider);
iv. Corbium Business Services (formerly known as Cambium Business Services) (a service company responsible for the group's internal functions); and
v. AFGRI International Proprietary Limited (focus on operations outside of South Africa).

Transaction Description

Indirect Equity Interest in AGH

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

At March 31, 2019 Fairfax Africa had invested $96,680 in Joseph Holdings (comprised of 74.6% of the ordinary shares and 73.7% of the Class A shares of Joseph Holdings). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 44.7% indirect equity interest.

AGH Facilities

In June 2017 Fairfax Africa entered into a secured lending arrangement with AGH, pursuant to which Fairfax Africa provided $23,255 (300 million South African rand) of financing. On January 31, 2018 the facility was fully repaid in cash with the company receiving $25,399 (including accrued interest) and recognized a realized foreign exchange gain of $1,166 in the consolidated statements of earnings and comprehensive income in the first quarter of 2018.

On January 21, 2019 the company completed a second secured lending arrangement with AGH pursuant to which Fairfax Africa provided $12,813 (176.4 million South African rand) of financing (the "AGH Facility"). The AGH Facility earns interest at a rate of South African prime plus 2.0% payable on maturity on July 19, 2019.

Key Business Drivers, Events, and Risks

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

On April 8, 2019 AGH announced plans to form a grain storage platform to grow capacity in South Africa and improve food security. AFGRI Grain Silo Company Proprietary Limited ("AFGRI Grain Silo Company") plans to expand its current storage from 4.7 million tonnes to 6.0 million tonnes in the near future. The current storage footprint consists of grain silos and bunker complexes throughout six provinces in South Africa. Three new institutional investors (STANLIB Infrastructure Investments, Wiphold, and the Land Bank) have committed to invest alongside AGH and its current Black Economic Empowerment ("BEE") employee partner, Izitsalo Employee Investments. This investment consortium initially will own storage facilities acquired from AFGRI Operations Proprietary Limited ("AFGRI Operations"), AGH's grain management division. AGH's remaining equity interest in AFGRI Grain Silo

Company is expected to be 26.5%. AFGRI Operations will manage the storage facilities on behalf of AFGRI Grain Silo Company through a management service agreement.

AGH's strategic focus for 2019 is as follows:

- Fully incorporate Grobank into the group's financial services offering to AGH's farming base; re-brand and re-position the bank to focus on serving the needs of the agricultural and food processing sectors;
- Continue to develop and expand AGH's digital platform and product and services offering to create a strong foundation for revenue growth within financial services;
- Expand its grain storage footprint through AFGRI Grain Silo Company and diversify storage services into a broader commodity pool; and
- Outside of South Africa, continue to streamline agricultural operations to ensure more efficient capital deployment.

Valuation and Interim Consolidated Financial Statement Impact

Indirect Equity Interest in AGH

At March 31, 2019 the company estimated the fair value of its investment in the indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.2% to 24.9% and a long term growth rate of 3.0% (December 31, 2018 - 11.7% to 26.0% and 3.0%). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018) by AGH's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates.

At March 31, 2019 the company's internal valuation model indicated that the fair value of its 44.7% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $112,368 (December 31, 2018 - $111,888), comprised of the Class A shares and ordinary shares of Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH for the first quarters of 2019 and 2018 are presented in the tables at the outset of the African Investments section of this MD&A.

AGH Facilities

In the first quarter of 2019 the company recorded interest income $403 (2018 - $383) within interest in the consolidated statements of earnings and comprehensive income related to the AGH Facility.

At March 31, 2019 the company estimated the fair value of its investment in the AGH Facility was $12,327 (December 31, 2018 - nil) which due to the short term to maturity of the investment, approximated its amortized cost. The changes in fair value of the AGH Facility for the first quarters of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

AGH's Summarized Financial Information

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

The company's fiscal year ends on December 31 and AGH's fiscal year ends on March 31. Summarized below are AGH's balance sheets at December 31, 2018 and March 31, 2018.

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

	South African rand		**US$**	
	December 31, 2018	March 31, 2018	**December 31, 2018 (1)**	March 31, 2018 (1)
Current assets	**7,019,674**	6,011,610	**487,816**	507,309
Non-current assets	**5,244,911**	4,768,928	**364,483**	402,441
Current liabilities	**6,200,864**	5,114,992	**430,915**	431,645
Non-current liabilities	**3,501,347**	3,460,998	**243,318**	292,067
Shareholders' equity	**2,562,374**	2,204,548	**178,066**	186,038

(1) The net assets of AGH were translated at December 31, 2018 at $1 U.S. dollar = 14.39 South African rand and at March 31, 2018 at $1 U.S. dollar = 11.85 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

The increase in current assets primarily reflected an increase in inventories, trade and other receivables, trade receivables financed by banks and cash and cash equivalents arising from trading activities in AFGRI International (as the Zambia market enters its buying season), and an increase in volumes in Philafrica's milling and Nedan divisions (arising from better procurement in a less volatile commodity market), partially offset by a decrease in income tax assets. The increase in non-current assets primarily related to the AGH's indirect equity investment in Grobank through GroCapital Holdings, property, plant and equipment, deferred income taxes, other intangible assets relating to Pakworks, financial receivables and goodwill arising from Philafrica's acquisition of Pakworks. The increase in current liabilities primarily related to increases in short-term borrowings and bank overdrafts, commodity finance, trade and other payables relating to timing differences on Land Bank funding to farmers over the South African summer holiday, borrowings from banks to finance trace receivables, partially offset by a decrease in short-term portion of long-term borrowings. The increase in non-current liabilities primarily related to deferred income tax liabilities and other liabilities, partially offset by a decrease in borrowings.

Summarized below are AGH's statements of earnings for the nine months ended December 31, 2018 and 2017.

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

	South African rand		US$	
	Nine months ended December 31, 2018	Nine months ended December 31, 2017	**Nine months ended December 31, 2018 (1)**	Nine months ended December 31, 2017 (1)
Revenue	**10,020,588**	9,289,253	**736,267**	697,391
Earnings before taxes	**94,641**	187,281	**6,954**	14,060
Net earnings (loss)	**(14,333)**	115,890	**(1,053)**	8,700

(1) Amounts for the nine months ended December 31, 2018 and 2017 were translated into US$ using the average exchange rates of $1 U.S. dollar = 13.61 South African rand and $1 U.S. dollar = 13.32 South African rand prevailing during those periods.

Revenues increased primarily due to the strong performances in Philafrica's milling and Nedan divisions (arising from better procurement in a less volatile commodity market), the inclusion of recently acquired Pakworks' revenue for six months and a strong performance by AFGRI International's equipment business following its 2017 acquisition, partially offset by lower equipment volumes in South Africa (through the John Deere brand) following a late harvest and uncertainty surrounding government plans on land reform (with farmers holding off on capital purchases), and lower volumes at Philafrica's mussels, cassava and poultry businesses. The decrease in earnings before taxes and net earnings were primarily due to increased costs associated with Philafrica's acquisitions of the Dutch Agricultural Development and Trading Company ("DADTCO") and Pakworks, a decrease in grain management's storage fees following a smaller summer crop, a decrease in equipment volumes in South Africa (due to the factors mentioned earlier), foreign currency losses reported at the non-South African operations following the depreciation of the South African rand and increased provision for income taxes. A portion of AGH's earnings before taxes included losses before taxes incurred outside of South Africa. For the nine months ended December 31, 2018 AGH has not recorded deferred tax assets and a corresponding recovery of income taxes for those losses incurred outside of South Africa as they are not expected to be recovered.

Investment in Philafrica Foods Proprietary Ltd.

Business Overview

Philafrica is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking facilities, soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries), and a mussels farm and factory. Philafrica also has food-related businesses outside South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry joint venture in Mozambique. In addition to its 14 production plants (including newly acquired mussels and snack manufacturing operations) across the South African provinces of Gauteng, KwaZulu Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo, Philafrica also has operations in Mozambique.

Philafrica's principal lines of business are comprised of:

i. Cassava Processing (mobile processing technology through DADTCO);
ii. Grain Milling (involved in the industrial milling of yellow corn (maize) and wheat flour);
iii. Oil and Protein (soya crushing and oil extraction through Nedan Foods);
iv. Animal Feeds (production of balanced feed for animal production);
v. Dog Food Production (full line of dog food products under the *Jock* brand);
vi. Poultry Mozambique (integrated business across the entire Poultry value chain through its joint venture with Novos Horizontes);
vii. Snacking Manufacturing (through PakWorks, producing dry snacks exclusively for PepsiCo in SSA); and
viii. a Mussel Farming and Processing business.

Transaction Description

Philafrica Common Shares

In November 2018 Fairfax Africa converted $23,254 (325 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 ordinary shares of Philafrica with the remainder of the facility fully repaid in cash. Upon completion of this transaction the company held a 26.0% equity interest in Philafrica with AGH's equity interest decreasing from 100.0% to 60.0%, with AGH maintaining control of Philafrica.

Key Business Drivers, Events, and Risks

Philafrica's key business drivers relate to its ability to grow and vertically integrate its share in the food value chain across the African continent.

On April 1, 2019 Philafrica acquired a controlling interest of 68% in Sunshine Bakery Holdings (Pty) Ltd. ("Sunshine Bakery") for cash consideration of approximately $15.5 million (220 million South African rand). Sunshine Bakery currently manufactures and distributes Vitamin D enriched bread under the Sunshine Brand from its Pietermaritzburg and Durban-based bakeries. Sunshine Bakery is a branded regional player with the potential to expand nationally. This acquisition forms part of Philafrica's strategic drive to participate meaningfully with branded offerings in the fast moving consumer goods market.

Philafrica's strategic focus for 2019 is as follows:

- Continue to develop and expand existing business units, implement operational improvements and maintain disciplined procurement practices;
- Integrate recent acquisitions of Pakworks (July 2018) and Sunshine Bakery; and
- Focus on improvement of early stage acquisitions including mussels, cassava and poultry businesses.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company estimated the fair value of its investment in Philafrica using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 13.3% to 23.3% and a long term grow rate of 3.0% (December 31, 2018 - 13.7% to 24.4% and 3.0%). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018) by Philafrica's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Philafrica operates. At March 31, 2019 the company's internal valuation model indicated that the fair value of its 26.0% investment in Philafrica was $23,736 (December 31, 2018 - $23,463). The changes in fair value of the company's equity interest in Philafrica for the first quarter of 2019 are presented in the table disclosed at the outset of the African Investments section of this MD&A.

Investment in GroCapital Holdings Proprietary Limited

Business Overview

GroCapital Holdings Proprietary Limited ("GroCapital Holdings") is a bank holding company that owns 99.9% of Grobank Limited ("Grobank", formerly known as the South African Bank of Athens Limited or "SABA").

Operating as a South African bank since 1947, Grobank embarked on a new positioning and strategy in April 2019. Grobank is focused on developing and delivering banking services to the medium-sized business market food with a focus on the agri-business value chain in the South African market, driven by a unique combination of banking and agri-business experience gained through its new shareholders. In addition to this core focus, Grobank also remains committed to growing its services to the medium-sized business market in South Africa, as well as to the alliance banking market.

Grobank offers the key services and products required by businesses operating in the South African market: lending, transactional banking, treasury and exchange. Grobank is also utilizing the deep insights gained through multi-generational agri-business relationships held by its shareholders to develop a set of agri-specific products to complement these existing services.

Grobank's philosophy embraces digital enablement of customer interactions. However, it continues to place face-to-face relationships at the core of its service offering. While digital platforms and channels are critical to any business, Grobank believes that a deep understanding of what matters to its clients can only truly be achieved through human engagement. Banking services are therefore primarily delivered through a dedicated team of highly experienced Relationship Managers that engage clients at their business premises, support a culture of service excellence and professionalism.

Transaction Description

GroCapital Holdings Common Shares

In the fourth quarter of 2018 Fairfax Africa acquired a 35.0% equity interest in GroCapital Holdings and funded the company's pro rata contribution on capital calls, investing an aggregate cash consideration of $12,141 (171.6 million South African rand).

Subsequent to March 31, 2019

On April 16, 2019 GroCapital Holdings issued a capital call to its shareholders to fund their pro rata contribution, which was invested by GroCapital Holdings into Grobank to support the bank's capital adequacy requirements under South African regulations. On April 23, 2019 Fairfax Africa invested their pro rata contribution of the capital call of $2,288 (32.8 million South African rand) to GroCapital Holdings to maintain its 35.0% equity interest. Upon completion of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

Key Business Drivers, Events, and Risks

On April 8, 2019 SABA re-branded and re-positioned itself as Grobank, a leading food and agriculture industry business bank in the South African market, leveraging its extensive banking experience and accessing the deep food and agri-business knowledge of AGH. Grobank is focused on supporting the food and agriculture value chain in South Africa, comprising businesses ranging from farms to food manufacturers, retailers, transporters, importers and exporters. Grobank intends to grow its customer base in the agricultural industry with a focus on small to medium-sized enterprises ("SME's"). Grobank's Alliance Banking Offering creates an opportunity to provide co-branded financial services to AGH's subsidiaries and other distribution channels in strategic partnership with established retailers and FinTech companies.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the initial transaction price for the company's investment in GroCapital Holdings was considered to approximate fair value as there were no significant changes to its investment in Grobank's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continue to be valid. At March 31, 2019 the fair value of the company's investment in GroCapital Holdings was $11,897 (December 31, 2018 - $11,927). The changes in fair value of the company's equity interest in GroCapital Holdings for the first quarter of 2019 related to foreign exchange losses and is presented in the table at the outset of the African Investments section of this MD&A.

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

Business Overview

The company's investment in CIG is comprised of common shares, a debt instrument and derivative obligation. The company's investment in CIG common shares is discussed in the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Share) presented earlier in this MD&A.

Transaction Description

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand, plus a 2.5% raising fee for aggregate financing of 300 million South African rand) (the "CIG Loan"). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date ofJune 4, 2023.

Valuation and Interim Consolidated Financial Statement Impact

CIG Loan

At March 31, 2019 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 6.8% (December 31, 2018 - 7.8%) and estimated historical share price volatility of 63.9% (December 31, 2018 - 60.9%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $20,022 (December 31, 2018 - $21,068). The changes in fair value of the CIG Loan for the first quarter of 2019 are presented in the table disclosed at the outset of the African Investments section of this MD&A.

In the first quarter of 2019 the company recorded interest income $666 (2018 - nil) within interest in the consolidated statements of earnings and comprehensive income related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

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

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

Investment in the PGR2 Loan (Debt Instrument)

Transaction Description

In May 2018 in conjunction with the CIG Loan, Fairfax Africa entered into a secured lending agreement with PGR2 Investments Proprietary Limited ("PGR2"), the largest shareholder of CIG at the time of the transaction, pursuant to which the company provided PGR2 with $19,969 (260 million South African rand) of secured financing (the "PGR2 Loan"). The PGR2 Loan is secured by ordinary shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or capitalized to principal amount owing, with a maturity date of May 24, 2021.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 10.4% (December 31, 2018 - 11.9%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $18,157 (December 31, 2018 - $17,527). The changes in fair value of the PGR2 Loan for the first quarter of 2019 are presented in the table disclosed at the outset of the African Investments section of this MD&A.

In the first quarter of 2019 the company recorded interest income $703 (2018 - nil) within interest in the consolidated statements of earnings and comprehensive income related to the PGR2 Loan.

Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The common shares are discussed in the Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) earlier in this MD&A. The Atlas Mara bonds discussed below are not rated.

Transaction Description

Atlas Mara 11.0% Convertible Bonds

In April 2018 Fairfax Africa entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and in lieu of cash, the interest is payable in kind in the form of additional Atlas Mara bonds ("Atlas Mara 11.0% Convertible Bonds"). The bonds mature on December 11, 2019 with the option by Atlas Mara to extend the maturity by an additional year to December 11, 2020.

Atlas Mara 7.5% Bonds plus Warrants

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

Valuation and Interim Consolidated Financial Statement Impact

Atlas Mara 11.0% Convertible Bonds

At March 31, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.3% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $16,823 (December 31, 2018 - $16,334).

Atlas Mara 7.5% Bonds plus Warrants

At March 31, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.3% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $17,407 (December 31, 2018 - $17,499).

At March 31, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.1% (December 31, 2018 - 34.5%). At March 31, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $633 (December 31, 2018 - $1,016).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the first quarters of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the first quarter of 2019 the company recorded interest income of $942 (2018 - nil) within interest in the consolidated statements of earnings and comprehensive income related to the Atlas Mara bonds.

Investment in Nova Pioneer Education Group

Business Overview

Nova Pioneer Education Group ("Nova Pioneer") is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2013 with its first school opening in South Africa in 2014. Since then, the company has expanded across South Africa and launched its first campus in Kenya in 2015. Nova Pioneer currently operates ten schools with a combined enrollment of approximately 3,850 students.

The middle class has rapidly expanded across key regions in Africa. As a result, the demand for affordable, quality private education has grown in excess of available supply. Nova Pioneer is well-positioned to become a leading brand in the African education sector. Average tuition per student is approximately $3,375 per year (2018 - $3,250) and is priced to target emerging middle to upper-middle income families.

Transaction Description

Nova Pioneer Bonds and Warrants

In December 2017 and the second half of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer, which consisted of: (i) $26,242 of debentures (inclusive of capitalized interest) with an interest rate of 20.0% per annum and mature on December 31, 2024 (the "Nova Pioneer Bonds"); and (ii) 2,477,293 warrants (the "Nova Pioneer Warrants") with an initial cost of $781. Each Nova Pioneer Warrant can be exercised by the company at a price of $2.06 per ordinary share of Ascendant. Other than in circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may be exercised after June 30, 2021. At December 31, 2018 the company had a remaining investment commitment of $9,227 to invest in Nova Pioneer Bonds and Warrants.

In January 2019 the company capitalized $1,715 of accrued interest to the principal amount owing and completed an additional $3,500 investment in Nova Pioneer comprised of Nova Pioneer Bonds and 350,000 Nova Pioneer Warrants with fair values on the date of investment of $3,333 and $167. Upon completion of this transaction, Fairfax Africa had invested an aggregate of $32,238 which was comprised of $31,290 in Nova Pioneer Bonds (inclusive of capitalized accrued interest to the principal amount owing) and $948 in 2,827,293 Nova Pioneer Warrants.

Subsequent to March 31, 2019

On April 1, 2019 the company completed an additional $2,000 investment in Nova Pioneer, comprised of Nova Pioneer Bonds and 200,000 Nova Pioneer Warrants, leaving a remaining investment commitment to Nova Pioneer of $3,727.

Key Business Drivers, Events, and Risks

Nova Pioneer's key business drivers relate to its success in meeting its enrollment targets, scaling and expanding its operations across multiple campuses in Kenya and South Africa and building its talent pool of teachers and administrators. During the first quarter of 2019 Nova Pioneer opened two new schools in Boksburg, South Africa and Athi River, Kenya which increased its total potential student capacity from 9,152 to 11,640, an increase of approximately 27%. Revenue for its fiscal year ended December 31, 2018 increased 76% over the prior year. Nova Pioneer's 2019 student enrollment represents approximately a 75% increase over the prior year and they will produce their first high school graduates in 2019. Nova Pioneer has garnered international recognition for its approach to education and was featured in *The Economist* as a leading innovative African school network.

Nova Pioneer's operations in Kenya continue to outperform, while the South African market remains competitive. As a result, in the near term Nova Pioneer's management intends to pursue more growth opportunities in Kenya and be more selective about opportunities in South Africa, mitigating the impact of the market dynamics in South Africa. The ability to source efficient property financing and capital for accelerated growth will also be critical for Nova Pioneer's success.

During 2019 Nova Pioneer will implement a new Emerging Leader Programme for its top teachers and enhanced teacher training resources in both its core markets. Nova Pioneer is highly selective in its hiring, with less than 3% of applicants receiving offers.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 16.7% (December 31, 2018 - 18.5%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Nova Pioneer and assumptions related to certain redemption options embedded in the bonds. At March 31, 2019 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $32,785 (December 31, 2018 - $26,023). The changes in fair value of the Nova Pioneer Bonds during the first quarters of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the first quarter of 2019 the company recorded interest income of $1,555 (2018 - $1,024) within interest in the consolidated statements of earnings and comprehensive income related to the Nova Pioneer Bonds.

At March 31, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.80 (December 31, 2018 - $1.46). At March 31, 2019 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,673 (December 31, 2018 - $1,001). The changes in fair value of the Nova Pioneer Warrants during the first quarters of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Results of Operations

Fairfax Africa's consolidated statements of earnings and comprehensive income for the three months ended March 31 are shown in the following table:

	First quarter	
	2019	2018
Income		
Interest	**5,470**	3,148
Net realized gains (losses) on investments	**(4,839)**	1,802
Net change in unrealized gains (losses) on investments	**(18,264)**	42,235
Net foreign exchange gains (losses)	**(484)**	6,731
	(18,117)	53,916
Expenses		
Investment and advisory fees	**1,795**	1,559
Performance fee	**—**	9,049
General and administration expenses	**1,227**	1,063
Interest expense	**617**	1,064
	3,639	12,735
Earnings (loss) before income taxes	**(21,756)**	41,181
Provision for (recovery of) income taxes	**(276)**	331
Net earnings (loss) and comprehensive income (loss)	**(21,480)**	40,850
Net earnings (loss) per basic share	**$ (0.35)**	$ 0.81
Net earnings (loss) per diluted share	**$ (0.35)**	$ 0.80

Total loss from income of $18,117 in the first quarter of 2019 decreased from total income of $53,916 in the first quarter of 2018 primarily as a result of decreased unrealized gains on investments (primarily related to unrealized losses on the company's investments in CIG and Atlas Mara common shares, partially offset by the reversal of the prior year unrealized loss of $5,724 related to the settlement of the CIG forward derivative obligation), decreased net foreign exchange gains (arising from the weakening of the South African rand relative to the U.S. dollar during the first quarter of 2019) and a net realized loss on investments related to settlement the CIG forward derivative obligation, partially offset by increased interest income.

Net realized loss on investments of $4,839 in the first quarter of 2019 related to the settlement of the CIG forward derivative obligation upon closing of the CIG Rights Offer. Net realized gain on investments of $1,802 in the first quarter of 2018 primarily related to the recognition of a forward derivative liability as a result of the company's participation in the AGH rights offering through its investment in Joseph Holdings.

The net change in unrealized losses on investments of $18,264 in the first quarter of 2019 was principally comprised of unrealized losses on the company's investments in CIG common shares ($17,767), Atlas Mara common shares ($8,635) and the CIG Loan ($1,015), partially offset by the reversal of prior year unrealized loss on the CIG derivative obligation upon closing of the CIG rights offer ($5,724), unrealized gains on the company's investments in the Nova Pioneer Bonds ($1,729) and the indirect equity interest in AGH ($764). The net change in unrealized gains on investments of $42,235 in the first quarter of 2018 primarily related to unrealized gains on the company's investments in Atlas Mara common shares ($32,094) and the indirect equity interest in AGH ($11,835), partially offset by unrealized losses on the company's investments Other Public African Investment ($987) and Nova Pioneer Bonds ($894).

The net foreign exchange loss of $484 in the first quarter of 2019 was primarily a result of the weakening of the South African rand relative to the U.S. dollar during the period principally relating to the company's investments in CIG common shares ($1,349), the AGH Facility ($585) and its indirect equity interest in AGH ($284), partially offset by net foreign exchange gains on cash and cash equivalents ($1,902). The net foreign exchange gain of $6,731 in the first quarter of 2018 was primarily a result of the strengthening of the South African rand relative to the U.S. dollar during the period principally relating to the company's indirect equity interest in AGH ($5,356) and the first AGH facility ($1,166).

Net gains (losses) on investments and net foreign exchange gains (losses) for the three months ended March 31 were comprised as follows:

	First quarter					
	2019			2018		
	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:						
Short term investments - U.S. treasury bills	—	—	—	(1)	—	(1)
Loans	—	**(337)**	**(337)**	—	—	—
Bonds	—	**1,560**	**1,560**	—	(894)	(894)
Common stocks	—	**(25,333)**	**(25,333)**	1,803	43,077	44,880
Derivatives	**(4,839)**	**5,846**	**1,007**	—	52	52
	(4,839)	**(18,264)**	**(23,103)**	1,802	42,235	44,037
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**1,902**	—	**1,902**	70	—	70
Loans	—	**(687)**	**(687)**	1,166	(83)	1,083
Common stocks	—	**(1,723)**	**(1,723)**	—	5,585	5,585
Other	—	**24**	**24**	—	(7)	(7)
	1,902	**(2,386)**	**(484)**	1,236	5,495	6,731

Total expenses of $3,639 in the first quarter of 2019 decreased compared to total expenses of $12,735 in the first quarter of 2018 primarily as a result of the company determining that no performance fee accrual was payable at March 31, 2019 and decreased interest expense**,** partially offset by increased investment and advisory fees as a result of the increased holdings of African Investments and increased general and administration expenses.

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. In the first quarter of 2019 the investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income was $1,795 (2018 - $1,559).

The performance fee, if applicable, is accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019 (the "first calculation period") and for each consecutive three-year period thereafter. It is calculated on a cumulative basis, as 20.0% of any increase in common shareholders' equity per share (including distributions) above a 5.0% per annum increase. The amount of common shareholders' equity 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". At March 31, 2019 the company determined that there was no performance fee accrual as the book value per share of $9.28 (before factoring in the impact of the performance fee) at March 31, 2019 was less than the hurdle per share at that date of $11.14.In the first quarter of 2019 the company did not record a performance fee (2018 - $9,049) in the consolidated statements of earnings and comprehensive income.

If a performance fee is payable for the first calculation period, it will be paid within 30 days after the company issues its annual audited consolidated financial statements, in subordinate voting shares of the company unless the market price per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued would be calculated based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including December 31, 2019. At March 31, 2019 there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax.

Interest expense of $617 in the first quarter of 2019 related to $30,000 drawn from the company's $90,000 Credit Facility which was repaid on March 21, 2019. Interest expense of $1,064 in the first quarter of 2018 principally related to the company's $150,000 secured term loan.

The recovery of income taxes of $276 in the first quarter of 2019 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily due to tax rate differential on losses incurred outside of Canada, partially offset by foreign exchange fluctuations. The provision for income taxes of $331 in the first quarter of 2018 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily due to tax rate differential on income earned outside of Canada, partially offset by foreign exchange fluctuations.

The company reported a net loss of $21,480 (a net loss of $0.35 per basic and diluted share) in the first quarter of 2019 compared to net earnings of $40,850 (net earnings of $0.81 per basic share and $0.80 per diluted share) in the first quarter of 2018. The year-over-year decrease in profitability primarily reflected decreased net unrealized gains on investments, net foreign exchange gains and net realized gains on investments, and increased investment and advisory fees, partially offset by no performance fee accrued as a result of the company determining that no performance fee accrual was payable at March 31, 2019, increased interest income and decreased interest expense.

Consolidated Balance Sheet Summary

Total Assets

Total assets at March 31, 2019 of $572,022 (December 31, 2018 - $643,830) were principally comprised as follows:

Total cash and investments decreased to $566,843 at March 31, 2019 from $634,609 (net of the derivative obligation of $5,724) at December 31, 2018 The movements in the company's cash and investments were principally as follows:

Cash and cash equivalents decreased to $70,278 at March 31, 2019 from $230,858 at December 31, 2018 primarily as a result of the company's investment in African Investments (CIG common shares, AGH Facility, Nova Pioneer Bonds and Nova Pioneer Warrants), purchase of short term U.S. treasury bills, repayment of the drawn amount of the Credit Facility and purchases of subordinate voting shares for cancellation.

Short term investments increased to $88,605 at March 31, 2019 from $38,723 at December 31, 2018 reflecting purchases of U.S. treasury bills.

Loans, Bonds, Common Stocks and Derivatives - The company is actively seeking investment opportunities in Africa and will continue to redirect capital from its cash and cash equivalents, and short term investment portfolio into African Investments as and when those opportunities are identified. For more information about recent African Investments, see the African Investments section of this MD&A.

Interest receivable of $3,710 at March 31, 2019 primarily related to interest receivable on the Nova Pioneer Bonds, PGR2 Loan, Atlas Mara Bonds, AGH Facility and CIG Loan. Interest receivable of $2,472 at December 31, 2018 primarily related to interest receivable on the Nova Pioneer Bonds, CIG and PGR2 Loans.

Total Liabilities

Total liabilities at March 31, 2019 of $5,141 (December 31, 2018 - $40,703) were principally comprised as follows:

Derivative obligation of nil at March 31, 2019 (December 31, 2018 - $5,724) related to the company's settlement of its forward derivative liability on January 4, 2019 upon closing of the CIG Rights Offer (see Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) earlier in this MD&A).

Payable to related parties increased to $1,841 at March 31, 2019 from $1,658 at December 31, 2018, principally as a result of increased investment and advisory fees payable to Fairfax. See note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2019.

Income taxes payable decreased to $2,785 at March 31, 2019 from $3,263 at December 31, 2018 which primarily reflected the company's recovery of income taxes in the first quarter of 2019.

Borrowings decreased to nil at March 31, 2019 from $29,527 at December 31, 2018 which reflected the company's repayment (March 21, 2019) of the drawn amount of the Credit Facility.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2019 compared to those identified at December 31, 2018 and disclosed in the company's 2018 Annual Report, other than as outlined in note 11 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2019.

Capital Resources and Management

For a detailed analysis, refer to note 11 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2019.

Book Value per Share

Common shareholders' equity at March 31, 2019 was $566,881 (December 31, 2018 - $603,127). The book value per share at March 31, 2019 was $9.28 compared to $9.60 at December 31, 2018 representing a decrease of 3.3% in the first three months of 2019, primarily due to a net loss of $21,480 in the first quarter of 2019 (principally due to unrealized losses on the company's Public African Investments, partially offset by unrealized gains on the Nova Pioneer Bonds and the company's investments in the indirect equity interest in AGH and investment in Philafrica).

	March 31, 2019	December 31, 2018
Common shareholders' equity	**566,881**	603,127
Number of common shares outstanding	**61,100,553**	62,811,965
Book value per share	**$9.28**	$9.60

During the first quarter of 2019, under the terms of the normal course issuer bid, the company purchased for cancellation 1,711,412 (2018 - nil) subordinate voting shares for a net cost of $14,962 (2018 - nil) of which $2,798 was recorded as a benefit in retained earnings (2018 - nil).

Liquidity

The undeployed cash and investments at March 31, 2019 provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of additional investments in GroCapital Holdings and Nova Pioneer, investment and advisory fees, general and administration expenses and potentially corporate income taxes. On March 21, 2019 the company repaid the $30,000 of the drawn amount of the Credit Facility, along with accrued interest of $509. The company can draw upon the full $90,000 Credit Facility to supplement its cash needs, if required. The company expects to continue to receive investment income on its holdings of fixed income securities to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations.

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, 2019.

Highlights in the first quarter of 2019 (with comparisons to the first quarter of 2018 except as otherwise noted) of major components of cash flow are presented in the following table:

	First quarter	
	2019	2018
Operating activities		
Cash provided by (used in) operating activities before the undernoted	**(1,997)**	1,114
Net purchases of short term investments	**(49,466)**	(28,589)
Purchases of investments	**(66,057)**	(46,504)
Sales of investments	**—**	25,399
Decrease in restricted cash in support of investment	**—**	162,519
Financing activities		
Increase in restricted cash in support of term loan	**—**	(554)
Repayment of the Credit Facility	**(30,000)**	—
Purchases of subordinate voting shares for cancellation	**(14,962)**	—
Increase (decrease) in cash and cash equivalents during the period	**(162,482)**	113,385

Cash provided by (used in) operating activities before the undernoted is comprised of net earnings (loss) adjusted for items not affecting cash and cash equivalents and changes in operating assets and liabilities. Cash used in operating activities before the undernoted of $1,997 in the first quarter of 2019 decreased compared to cash provided by operating activities before the undernoted of $1,114 in the first quarter of 2018, with the change principally related to lower interest income received and increased investment and advisory fees and general and administrative expenses, partially offset by decreased interest expense paid.

Net purchases of short term investments of $49,466 and $28,589 in the first quarters of 2019 and 2018 related to net purchases of U.S. treasury bills that had not yet been deployed into African Investments. Purchases of investments of $66,057 in the first quarter of 2019 primarily related to the company's investments in the CIG common shares acquired through the CIG Rights Offer, AGH Facility and the Nova Pioneer Bonds and Warrants. Purchases of investments of $46,504 in the first quarter of 2018 primarily related to the company's investments in AGH through participation in the rights offering through its ownership in Joseph Holdings and the investment in the Philafrica secured lending facility. Sales of investments of $25,399 in the first quarter of 2018 related to the proceeds received at maturity (January 31, 2018) from the company's investment in the first AGH facility. Decrease in restricted cash in support of investment of $162,519 in the first quarter of 2018 reflected the release of cash collateral from restricted cash related to the termination of the company's letter of credit facility.

Increase in restricted cash in support of Term Loan of $554 in the first quarter of 2018 related to interest received on the cash collateral that was required to be held for the $150,000 secured term loan.

Repayment of the Credit Facility of $30,000 in the first quarter of 2019 related to the repayment of the amount drawn from the Credit Facility at its maturity (March 21, 2019). Purchases of subordinate voting share of $14,962 in the first quarter of 2019 related to the company's purchases for cancellation of 1,711,412 subordinate voting shares under the terms of the normal course issuer bid. Refer to note 8 (Common Shareholders' Equity) to the interim consolidated financial statements for the three months ended March 31, 2019 for details.

Contractual Obligations

On December 31, 2018 the company entered into an amending agreement, on the same terms as the prior investment, to provide an additional $10,000 investment in Nova Pioneer. At March 31, 2019 the company had a remaining investment commitment of $3,727.

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2019), the company and its Mauritius Sub are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income in the first quarter of 2019 was $1,795 (2018 - $1,559).

At March 31, 2019 the company determined that there was no performance fee accrual (December 31, 2018 - nil) as the book value per share of $9.28 (before factoring in the impact of the performance fee) at March 31, 2019 was less than the hurdle per share at that date of $11.14. Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2019 for discussion on the performance fee.

Related Party Transactions

The company's related party transactions are disclosed in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2019.

Other

Comparative Quarterly Data (unaudited)

US$ thousands, except per share amounts	**March 31, 2019**	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Income (loss)	**(18,117)**	(41,036)	(8,165)	(46,823)	53,916	(16,429)	41,640	4,139
Expenses (recovery)	**3,639**	2,802	3,392	(5,327)	12,735	(2,088)	8,189	1,187
Provision for (recovery of) income taxes	**(276)**	3,732	470	337	331	(492)	432	(812)
Net earnings (loss)	**(21,480)**	(47,570)	(12,027)	(41,833)	40,850	(13,849)	33,019	3,764
Net earnings (loss) per share (basic)	**$ (0.35)**	$ (0.76)	$ (0.19)	$ (0.80)	$ 0.81	$ (0.27)	$ 0.65	$ 0.07
Net earnings (loss) per share (diluted)	**$ (0.35)**	$ (0.76)	$ (0.19)	$ (0.80)	$ 0.80	$ (0.27)	$ 0.65	$ 0.07

Income (loss) continues to be primarily comprised of net change in unrealized gains (losses) on investments, net foreign exchange gains (losses), net realized gains (losses) on investments and interest income. Loss was significantly impacted in the first quarter of 2019 by the net change in unrealized losses on the company's African Investments (principally unrealized losses in CIG and Atlas Mara), the timing of which are not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's African Investments which result in higher performance fees, if applicable, and investment and advisory fees.

Forward-Looking Statements

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

Forward-looking statements are based on our opinions and estimates as of the date of this interim report and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: geographic concentration of investments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; operating and financial risks of African investments; valuation methodologies involve subjective judgments; lawsuits; use of leverage; foreign currency fluctuation; investments may be made in foreign private businesses where information is unreliable or unavailable; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; emerging markets; South African black economic empowerment; economic risk; weather risk; taxation risks; and trading price of common shares relative to book value per share. Additional risks and uncertainties are described in the company's annual information form dated March 8, 2019 which is available on SEDAR at www.sedar.com and on the company's website at www.fairfaxafrica.ca. 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.

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