

Investment Objective: To earn capital growth and income through value, arbitrage, and special situation investments in the continent of Africa. Portfolio investments will include equity, debt, and other interests in both listed and unlisted assets.

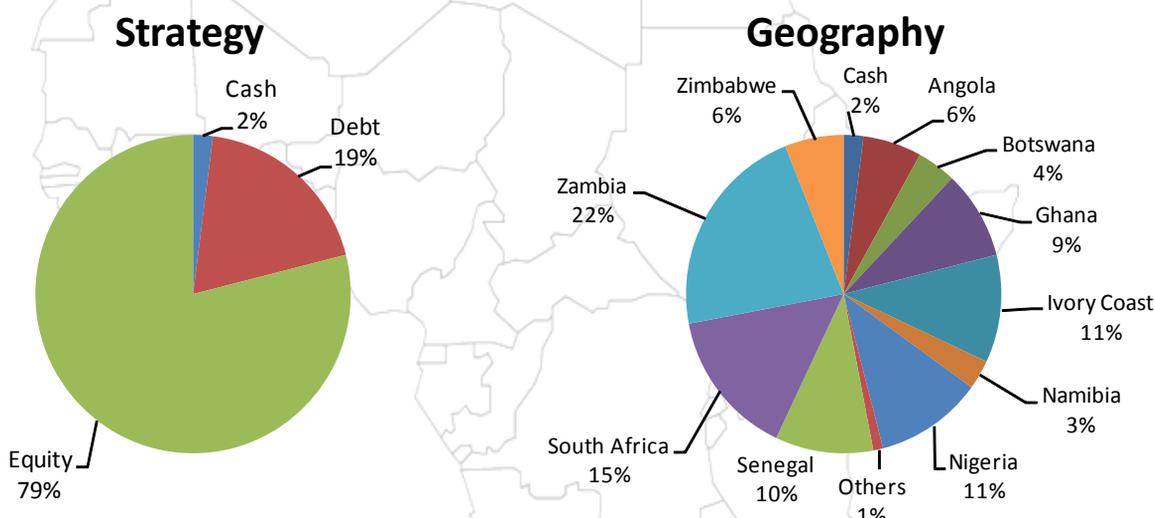
Listing: AOF is traded on the AIM market of the London Stock Exchange.

Dividend policy: The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

Fund Performance (as of 30 December 2011)

NAV per share:	\$0.933	Total Net Assets:	\$39.7 mm
Share price as at 30 Dec 11:	\$0.735	Market Capitalisation:	\$31.3 mm
Premium/Discount to NAV:	-21.2%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.0018		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2011	-1.4%	-1.1%	2.9%	5.5%	1.5%	-0.9%	4.2%	-2.5%	-9.0%	3.6%	-2.8%	2.6%	1.6%



Top Ten Holdings	Description	% of NAV
Shoprite Holdings Ltd.	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	20.0%
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	10.2%
SAPH	Ivory Coast rubber plantation operator and processor	7.0%
African Bank Investments Limited	South African consumer finance, furniture and electronic appliances retailing company	6.6%
Marine Subsea Series I & Series II 9% 12/19/19	Defaulted African Offshore bonds secured by oilfield construction barges operating in Angola	6.3%
Okomu Oil Palm PLC	Nigerian palm oil and rubber plantation operator and processor	6.0%
Old Mutual £6.376% Perpetual Bond	Largest African life insurance company, with operations across the continent	5.4%
Sea Trucks Group CB 10% 2015	One of largest and fastest growing oil and gas marine contractors in West Africa	5.0%
Enterprise Group Ltd	Insurance company engaged in property and casualty insurance, life assurance, and ownership of commercial and undeveloped property	4.8%
Naspers Ltd	Southern Africa's leading television and media company. Its Chinese listed Tencent holding is hedged with a short position, focusing AOF's investment on the Africa broadcast media franchise. The net exposure is 1% of NAV	3.9%
TOTAL		75.2%

Manager's Comment

Market Conditions: The Africa Opportunity Fund ("AOF") finished 2011 with a respectable Q4. The NAV rose 3.3% from its September position, closing at \$0.933 on 31 December. Overall in 2011 the NAV returned 1.6% including dividends, while the share price declined 10.4%. As a reference, in US dollar terms in 2011 the S&P rose 2.1%, Brazil declined 27.1%, Russia declined 19.5%, India declined 37.2%, and China declined 26.2%. In Africa, the South Africa Allshare declined 15.0%, the Egypt Hermes index declined 51.7%, the Kenya Allshare declined 30.0%, and the Nigeria Allshare declined 19.0%. While AOF's solid NAV returns were not reflected in its market value, we were pleased with its results as compared to overall emerging market returns.

Portfolio Highlights: AOF's top performers in 2011 were Shoprite equity, listed on the Lusaka Stock Exchange, with a total return of 79%; SAPH equity with a total return of 65%; and, SOGB equity, with a total return of 63%. The laggards were CIC Energy equity with a loss of 63%; Unilever Cote d'Ivoire, equity with a loss of 44%; and the shares of Noventa Limited with a loss of 35%. Despite AOF benefiting from its complete lack of exposure to the Kenyan and Egyptian stock markets, a majority of both the equity and bond holdings of AOF suffered declines in market value in 2011. However, substantial dividend and interest income more than compensated for those losses. AOF's commodity and currency related hedges proved to be an additional welcome source of profit as they protected AOF against declining basic metal prices and currency volatility. The Manager believes that AOF is not immune from the growing crisis in the Euro zone. In light of the large indirect exposure of AOF to the Euro, through its CFA Franc denominated investments, and the vulnerability of those investments to non-Africa originated risks, the Manager initiated a short Euro position in Q4 to reduce AOF's vulnerability to the Euro's woes. Shoprite's performance was due to the narrowing of the discount between its share price in Lusaka and its share price in South Africa. That discount continues to exceed 28%. SOGB ("Societe du Caoutchouc de Grande Bereby") produces both rubber and palm oil. Palm oil prices were buoyant in 2011. As it turns out, palm oil remains in short supply throughout West Africa. Since the West African palm oil prices are linked to the US Dollar and a significant percentage of a plantation's cost of production is exempt from inflationary pressures – rainfall levels are not subject to central banking diktat- AOF's Ivorian and Nigerian palm oil holdings serve as both currency and inflation hedges.

Portfolio Appraisal Value: As of 31 December, the Manager's appraisal of the economic value of the portfolio was \$1.163. The market price of \$0.735, as of year end, represents a 37% discount. Note the Appraisal Value is intended to provide a measure of the Manager's long-term view of the attractiveness of AOF's portfolio. It is a subjective estimate, and does not tell when that value will be realized, nor does it guarantee that any security will reach its Appraisal Value.

Strategy: We remain focused on investing, at historically low valuations, in companies with minimal debt that sell goods and services in short supply in Africa. We also invest in commodity related companies, on a selective basis, when we can implicitly purchase the underlying resources at a material discount to spot market values. In our upcoming Annual Report we will provide a more detailed review of the year and portfolio activities.

Fund Details

Bloomberg: AOF LN

Reuters: AOF.L

Website: www.africaopportunityfund.com

Listing: AIM / London Stock Exchange

Structure: Closed-end

ISIN: KYG012921048

Euroclear/Clearstream

Inception: 26 July 2007

Domicile: Cayman Islands

Portfolio Managers: Francis Daniels

Robert Knapp

Investment

Manager: Africa Opportunity Partners

Email Address: funds@lcf.co.uk

Broker: LCF Edmond de Rothschild Securities

Tel: +44 20 7845 5960

Fax: +44 20 7845 5961

www.countryfunds.co.uk

Nominated

Adviser: Grant Thornton Corporate Finance

Tel: +44 20 7383 5100

Auditor: Ernst & Young

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