

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 was traded on AIM through 17 April 2014 at which time it was admitted to the LSE Specialist Funds Market.

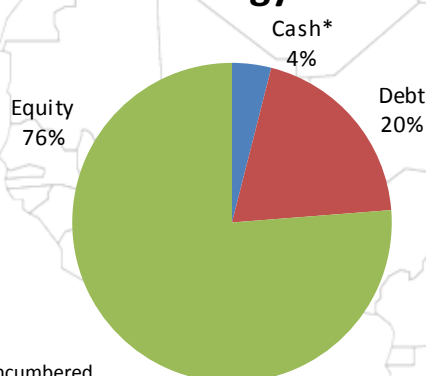
Dividend Policy: An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses), commencing Q1 2015.

Fund Performance (as of 31 December 2014) – Ordinary Shares

NAV per share:	\$1.007	Total Net Assets:	\$42.9 mm
Share price as at 31 Dec 14:	\$0.855	Market Capitalisation:	\$36.4 mm
Premium/Discount to NAV:	-15.1%	Shares outstanding:	42.6 mm

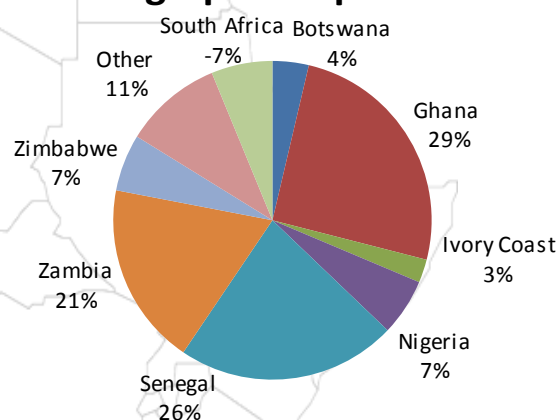
US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2014	2.3%	3.1%	-4.0%	-3.2%	-8.0%	0.8%	0.6%	-2.2%	-2.6%	-4.0%	-2.1%	0.9%	-17.3%

Strategy



* Represents unencumbered cash available for investment

Geographic Exposure



Top Ten Holdings - Ordinary Shares	Description	% of NAV
Sonatel	Dominant Senegalese and regional mobile phone provider	16.7%
Enterprise Group Ltd	Ghana insurance company engaged in property & casualty insurance, life assurance, and ownership of commercial and undeveloped property	15.7%
Naspers Ltd	A leading television and media company in Southern Africa. It's China subsidiary Tencent is hedged with a short position (-7.1% of NAV), to isolate AOF's exposure to Nasper's Africa broadcast media franchise	8.7%
Shoprite Holdings Ltd	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	8.7%
IAMGOLD Corp 6.75% 10/01/20	Gold mining company focused in West Africa, while also holding some South African and Quebec development & exploration projects	5.3%
Standard Chartered Bank Ghana	Leading Ghana commercial bank	4.7%
Tanzania Breweries	Brewer and distributor of malt beer	4.5%
Tizir Ltd 9% 2017	1 st priority bond issued by a joint venture of Eramet of France and Mineral Deposits of Australia to develop the Grande Cote Mineral Sands Project in Senegal with the Tyssedal Titanium smelter in Norway providing collateral	4.3%
Letshego	Botswana based consumer finance lender focused on government sector employees	3.6%
Sea Trucks Group 9% 03/26/2018	Nigerian company engaged in the provision of marine services to the off and onshore oil and construction industries in West Africa and Australia	3.4%
TOTAL		75.6%

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 was traded on AIM through 17 April 2014 at which time it was admitted to the LSE Specialist Funds Market.

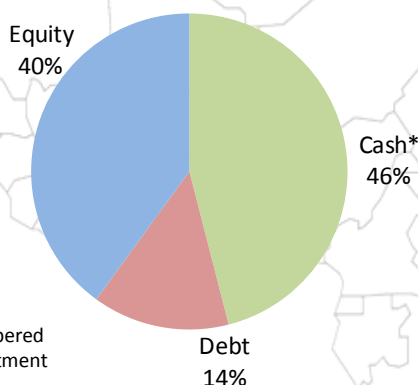
Dividend Policy: An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses), commencing Q1 2015.

Fund Performance (as of 31 December 2014) – C-Shares

NAV per share:	\$0.912	Total Net Assets:	\$26.6 mm
Share price as at 31 Dec 14:	\$0.975	Market Capitalisation:	\$28.5 mm
Premium/Discount to NAV:	6.9%	Shares outstanding:	29.2 mm

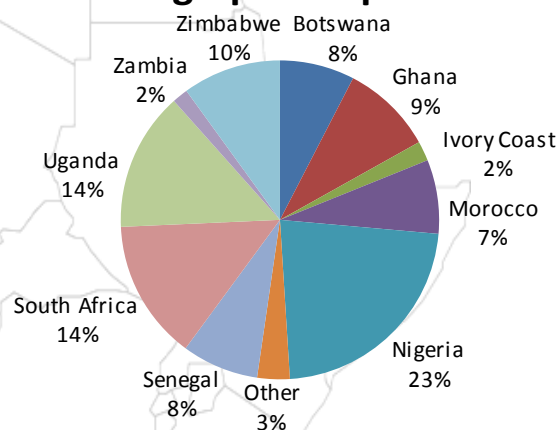
US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2014	N/A	N/A	N/A	-2.6%	-0.2%	0.0%	0.0%	-0.8%	-0.5%	-2.0%	-2.4%	-0.5%	-8.8%

Strategy



* Represents unencumbered cash available for investment

Geographic Exposure



Top Ten Holdings - Ordinary Shares	Description	% of NAV
Continental Reinsurance Plc	Nigerian reinsurance company which offers fire, marine & aviation, bond, auto, engineering, general accident and life reinsurance services	8.9%
Stanbic Bank Uganda Ltd	Bank offering a wide variety of products and services including merchant banking, stockbrokerage services and financial advisory	8.2%
African Bank Investments Ltd. 5% 2018	South African consumer finance company in restructuring	4.7%
Tizir Ltd 9% 2017	1 st priority bond issued by a joint venture of Eramet of France and Mineral Deposits of Australia to develop the Grande Cote Mineral Sands Project in Senegal with the Tyssedal Titanium smelter in Norway providing collateral	4.5%
Letshego	Botswana based consumer finance lender focused on government sector employees	4.4%
Sea Trucks Group 9% 03/26/2018	Nigerian company engaged in the provision of marine services to the off and onshore oil and construction industries in West Africa and Australia	4.2%
Mashonaland Holdings Ltd	Conglomerate split in four divisions: construction, property development, manufacturing and trading	4.0%
Naspers Ltd	A leading television and media company in Southern Africa. It's China subsidiary Tencent is hedged with a short position (-7.1% of NAV), to isolate AOF's exposure to Nasper's Africa broadcast media franchise	3.9%
IAMGOLD Corporation 6.75% 10/01/20	Gold mining company focused in West Africa, while also holding some South African and Quebec development & exploration projects	3.5%
Kosmos Energy Ltd	Oil and gas exploration and production company focused on Ghana & Offshore West Africa	3.1%
TOTAL		49.4%

Manager's Commentary

Market Conditions: AOF's Ordinary Share (listed on the SFM under the ticker "AOF LN") NAV decreased 5.2% and AOF's C-Shares (listed on the SFM under the ticker "AOF LN") NAV decreased 4.9% during Q4 2014. By comparison, in US dollar terms in Q4 2014 the S&P rose 4.9%, South Africa fell 0.8%, Egypt fell 10.6%, Kenya fell 1.5%, and Nigeria fell 24.4%.

Ordinary Share Portfolio Highlights

AOF's poor 2014 performance was grounded in three principal causes: the loss of 6 cents per share from the curatorship of African Bank; the loss of 5 cents per share in Enterprise Group; and the loss of 7 cents per share in our portfolio of commodity producers. Nevertheless, we believe that the AOF portfolio continues to hold several undervalued companies of good quality. Their superior financial attributes may be overshadowed by the macro-economic headwinds of depreciating currencies, higher interest rates, or weakening commodity prices. But, over time, those superior traits will become manifest in AOF's NAV. The remainder of this newsletter is devoted to comments about some of these companies.

Enterprise owns one of the largest insurance groups in Ghana. Its trailing 12 month earnings per share declined by 63% in US Dollars from \$18.5 million in Q3 2013 to \$6.8 million in Q3 2014 because of the lack of capital gains in 2014, providing superficial justification for its decline in market capitalization as its end-of-year P/trailing 12 month earnings ratio rose from 5.6x at the end of 2013 to 11.4x at the end of 2014. However our estimate of trailing 12 month gross cash generated from operations attributable to shareholders rose from \$12.9 million to \$18.3 million in a year in which Ghana's Cedi depreciated by 26% against the Dollar. Enterprise's end-of year- market capitalization/gross cash generated from operations ratio declined from 8.1x to 3.8x. The irony is that Enterprise is improving its Dollar profit generating capacity by increasing its investment in commercial real estate, a proven US Dollar earning asset class in Ghana because of the local practice of indexing rentals to the US Dollar. By maintaining our investment in a company growing its US Dollar asset base, without paying anything for that change in its investment strategy, AOF should benefit substantially over time.

The deleterious impact of declining commodity prices on our investments in commodity producers is exemplified by the mark-to-market losses endured by AOF's Iamgold 6.75% 10/01/20 bond. Iamgold is a mid-tier gold producer operating and owning mines in Burkina Faso, Mali, Surinam and Canada. It has 10 million ounces in proved and probable reserves and 20 million ounces in resources to assure production beyond 2030, 10years after the maturity of AOF's bonds. Iamgold's annual production hovers around 850,000 ounces with an all-in sustaining cost approximating \$1100 per ounce, making it a marginal cost producer while the gold price is range bound between \$1100 and \$1250 per ounce. Iamgold's market capitalization declined 18% from \$1.26 billion at the beginning of the year to \$1.02 billion at the end of 2014. In response to the shrinkage of Iamgold's equity cushion, the price of AOF's Iamgold bonds declined 12% from 85% of par to 75% of par. Yet, Iamgold had made several positive policy changes to strengthen its capacity to thrive in a low gold price environment. It had sold its Niobec mine in Quebec for \$530 million in November 2014 and cut sharply its capital and exploration expenditure. Iamgold is not yet a producer of free cash flow. Still, the market judgment that the probability of an Iamgold bond default has risen in 2014 contradicts the improvements in its balance sheet and efficiency. We are confident that Iamgold's bonds will reflect those improvements. To be sure, AOF had some bond investments issued by commodity producers and suppliers that have deteriorating balance sheets. Nevertheless, we believe that, in the main, the 2014 mark-to-market losses will reverse in time.

The Shoprite litigation continued in South Africa with the exchange of pleadings in the last quarter. We continue to believe that Shoprite's substantive position is devoid of merit. If Shoprite's Zambia share price had equaled its JSE price at year-end, AOF's ordinary share NAV would have increased by 7.5 cents per share.

2014 was not solely a year of gloom. AOF's ordinary share portfolio earned 2 cents per share from its interest in Tanzania Breweries, 1.5 cents per share from the stub created by buying Naspers shares and selling short Naspers' ownership interest in Tencent, and 1 cent per share from its Sonatel holdings. Despite several other profit-generating holdings, AOF's overall pattern was one of modest gains by its winners versus material losses by its losers.

C Share Portfolio Highlights

The NAV of AOF's C share declined 8.8% in 2014 and 4.9% in Q4. The C share's portfolio has exposure to 22 issuers. Stanbic Uganda, its second largest holding, with a market capitalization of \$628 million is the largest bank in Uganda. It is well positioned to provide the full suite of commercial and investment banking products necessary to the oil producers seeking to turn Uganda into an oil producing state. Even though Uganda's hopes to become an oil producing state may be delayed by today's low price of oil, its current status as an inland African net oil importer makes it a significant beneficiary of oil's collapse. But, that benefit is attenuated by the South Sudanese civil conflict because that conflict has tempered South Sudan's appetite for Ugandan goods.

AOF's C share portfolio made its initial purchase of its African Bank bonds at a price of 48 two days before the announcement of its curatorship. The eventual average price of those bonds was 54. Our analysis of then publicly available information made it clear that, on a liquidation basis, African Bank's loan book would support a minimum price of 60 for its senior unsecured bonds. By contrast, our investment in the preference shares of African Bank Investment Limited, the holding company inflicted the largest single loss of 1.5 cents on the C share portfolio. Again, a review of the holding company's balance sheet leaves us confident of recovering the original investment in those preference shares. The curator's latest announcements indicate that a proposal will be submitted to African Bank's debt holders to exchange their bonds, at 90% of the face value of, and accrued interest on, their bonds for new bonds to be issued by a new well-capitalized bank that will acquire the good parts of African Bank's loan book. We expect this exchange offer to occur by the end of Q3 2015.

Continental Reinsurance declined 3.7% in Q4 as the Nigeria Allshare Index lost 24% in US Dollars. The C share portfolio's other Nigeria investment is in bonds issued by the Seatrucks Group, an oil services and equipment supplier specializing in offshore installation and accommodation services. The Seatrucks bonds lost 15% in Q4 as the sliding crude oil price forced oil producers to announce cutbacks in their capital expenditure programs. Seatrucks has more pain to suffer, as does the Naira.

Ordinary Shares Portfolio Appraisal Value: As of 31 December, the Manager's appraisal of the economic value of the portfolio was \$1.22. The market price of \$0.86 at 31 December represents a 30% 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.

C-Shares Portfolio Appraisal Value: As of 31 December, the Manager's appraisal of the economic value of the portfolio was \$1.04. The market price of \$0.98 at 31 December represents a 6% 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 in companies with 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. AOF's ordinary share portfolio possesses undervalued companies. Its top 10 holdings offer a weighted average dividend yield of 8.1%, a rolling P/E ratio of 12, a return on assets of 9%, and a return on equity of 20%. The corresponding statistics for AOF's C share portfolio are a dividend yield of 8.6%, a P/E ratio of 10.7, a return on assets of 1.6%, and a return on equity of 2.9%. In our opinion 2015 calls for the exercise of caution by the value investor in Africa as African markets adjust to the down draft of weak commodity prices and volatility stalks those markets. In our upcoming Annual Report we will provide a more detailed review of the year and portfolio activities.

Fund Details (Ordinary Shares)

Bloomberg: AOF LN
Reuters: AOF.L
Website: www.africaopportunityfund.com
Listing: SFM / London Stock Exchange
Structure: Closed-end
ISIN: KYG012921048
Euroclear/Clearstream
Inception: 26 July 2007
Domicile: Cayman Islands

Fund Details (C-Shares)

Bloomberg: AOFC LN
Reuters: AOFC.L
Website: www.africaopportunityfund.com
Listing: SFM / London Stock Exchange
Structure: Closed-end
ISIN: KYG012921121
Euroclear/Clearstream
Inception: 17 April 2014
Domicile: Cayman Islands

Portfolio Managers: Francis Daniels
Robert Knapp
Investment Manager: Africa Opportunity Partners Ltd.
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
Auditor: Ernst & Young

Important Information

This document, and the material contained herein, has been prepared for the purpose of providing general information about, and an overview of, Africa Opportunity Fund Limited (the "**Company**") and its operations. It is not meant to be a complete review of all matters concerning the Company. This document is not intended as an offer or solicitation for the subscription, purchase or sale of securities in the Company.

The material in this document is not intended to provide, and should not be relied on for accounting, legal or tax advice or investment recommendations or decisions. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in the Company and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances.

Whilst the Company and Africa Opportunity Partners Limited have taken all reasonable care to ensure the information and facts contained in this document are accurate and up-to-date, they do not nor do any of their respective directors, officers, partners, employees, agents or advisers make any undertaking, representation, warranty or other assurance, express or implied, as to the accuracy or completeness of the information or opinions contained in this document. No responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligent or otherwise.

No one can assure future results and achievements. No undue reliance should be placed on forward-looking statements. The Company and Africa Opportunity Partners disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise.

No warranty is given, in whole or in part, regarding the performance of the Company. There is no guarantee that investment objectives of the Company will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.