

**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.

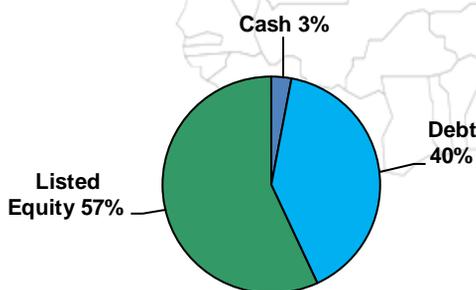
**Dividend policy:** The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

## Fund Performance (as of 30 June 2010)

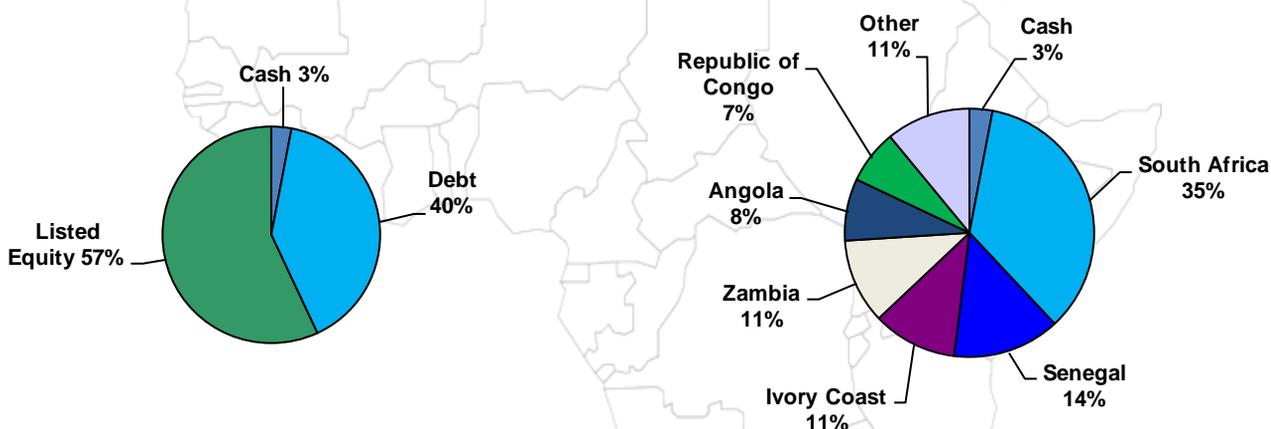
NAV per share:	\$0.723	Total Net Assets:	\$30.8 mm
Share price as at 30 Jun 10:	\$0.67	Market Capitalisation:	\$28.6 mm
Premium/Discount to NAV:	-7.3%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.0018		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2010	5.6%	1.2%	3.1%	4.7%	-8.4%	-6.7%							-1.4%

### Strategy



### Geography



Top Ten Holdings	Description	% of NAV
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	13.9%
Old Mutual £6.376% and €5% Perpetual Bonds	Largest African life insurance company, with operations across the continent in addition to Europe and the United States	11.4%
African Bank Investments Limited	South African consumer finance and microlending company	9.5%
Shoprite Holdings Ltd.	Largest South African food retailer operating over 1100 stores in 16 countries across Africa, while serving over 14 million shoppers annually	9.2%
Marine Subsea Series I & Series II 9% 12/19/19	Restructured African Offshore bonds paying 9% interest secured by oilfield service and construction vessels operating in Angola	8.3%
PA Resources 10% 06/20/11	Secured USD bond financing Azurite Republic of Congo field with 2 <sup>nd</sup> lien on Didon field	7.4%
Great Basin Gold 8% CB 11/30/14	Gold mining company developing assets in South Africa and Nevada	5.1%
Ivory Coast Gov't 10% 28/01/11	Ivory Coast securitized domestic bonds denominated in Euros	4.9%
PA Resources 11% 09/14 CB	Convertible unsecured bond issued by PA Resources	4.3%
Diamondcorp Plc	Secured loan to South African diamond producer	4.1%
<b>TOTAL</b>		<b>78.1%</b>

## Manager's Comment

**Market Conditions:** After an upbeat start to the year, the second quarter of 2010 was more difficult, in line broadly with markets. The NAV fell 10.5% from where it finished Q1, including dividends, closing at \$0.72 per share as of 30 June. As a reference in USD terms, during the quarter the S&P 500 fell 11.9%, South Africa fell 13.3%, Egypt fell 14.3%, Kenya rose 9.4%, and Nigeria fell 2.1%. Away from the markets, AOF was delighted to see South Africa host one of the best organized and patronized World Cup football/soccer tournaments in recent memory.

**Portfolio Highlights:** Befitting South Africa's hosting of the World Cup, AOF invested in Naspers, South Africa's leading television and media company during the quarter. Naspers' Multi-Choice pay-TV service maintains a dominant presence in South Africa and other African countries. An important attribute of our investment in Naspers is that it is constructed in somewhat synthetic form to concentrate AOF's investment in Naspers' Africa operations. Naspers owns 34% of the listed China online media company Tencent, which has been a phenomenal success. In fact, we estimate that Naspers' stake in Tencent accounts for at least 80% of the market capitalization of Naspers. By selling short Tencent in proportion to Naspers ownership, AOF has created an investment in the premier Africa pay TV franchise at a valuation of 9X cash flow and 11X earnings. Emerging market peers are trading at 14X cash flow and 19X earnings.

During the quarter AOF also benefited from its short position in Maurel et Prom, an oil and gas producer with significant assets in Africa. The shares declined from more than €12 per share to below €9, and we covered our position at a significant gain. However, the portfolio was not protected from specific investment disappointments or market gyrations. Marine Subsea announced that one of its vessels required an additional \$60 million investment to fulfill its work program with Sonangol and again finds itself in a liquidity squeeze within months of completing a comprehensive debt restructuring. The bonds fell from the 50s back into the 30s. The market value of the €5% Old Mutual bonds declined by 32%, precipitated in part by the recent sovereign and private bank debt problems of Euroland.

In addition, various African currencies in which AOF's investments are denominated, in tandem with the Euro, weakened against the US dollar. For example, the CFA Franc fell 10%, since it is pegged to the Euro, the Zambian Kwacha declined 10% too, and the Rand declined 4%.

**Portfolio Appraisal Value:** As of 30<sup>th</sup> June, the Manager's appraisal of the intrinsic economic value of the portfolio was \$0.98 per share. The market price of \$0.67, at quarter end, 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 particular security will reach its Appraisal Value.

**Strategy:** We remain focused on investing in companies with minimal debt that sell goods and services in short supply in Africa. A considerable part of our search for those companies is directed both in the consumer and financial sectors and in the African markets that failed to participate in the 2009 rally in emerging markets. Broadly, this means that AOF is gradually reducing its portfolio of fixed income and commodity related securities and pursuing investments intended to provide long term growth. We look forward to providing more details in next quarter's report.

## Fund Details

*Bloomberg:* AOF LN  
*Reuters:* AOF.L  
*Website:* [www.africaopportunityfund.com](http://www.africaopportunityfund.com)

*Portfolio Managers:* Francis Daniels  
Robert Knapp

*Listing:* AIM / London Stock Exchange  
*Structure:* Closed-end

*Investment Manager:* Africa Opportunity Partners  
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*ISIN:* KYG012921048  
Euroclear/Clearstream

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[www.countryfunds.co.uk](http://www.countryfunds.co.uk)

*Inception:* 26 July 2007

*Domicile:* Cayman Islands

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Tel: +44 20 7383 5100

*Auditor:* Ernst & Young

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