

**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.

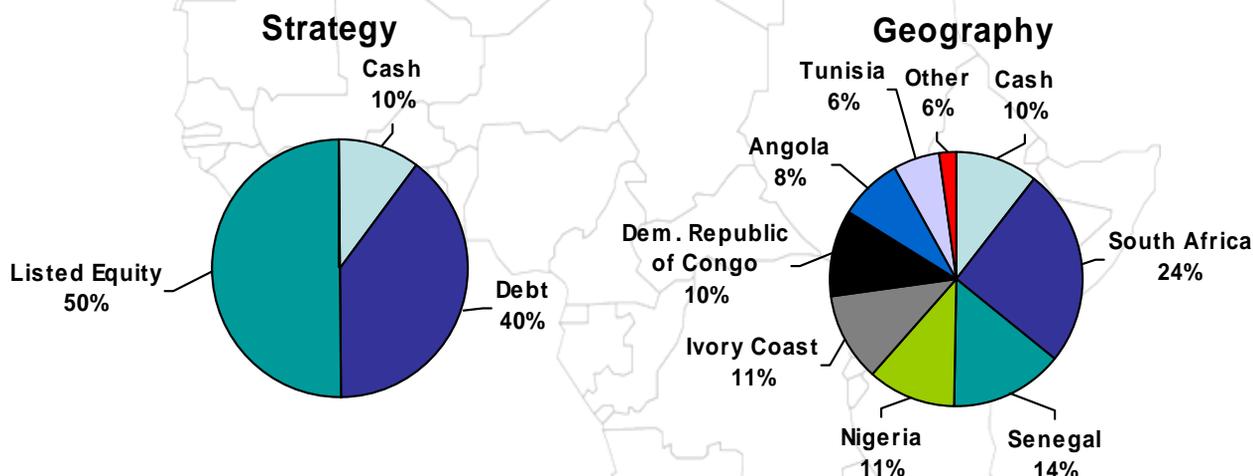
**Listing:** AOF is traded on the AIM market of the London Stock Exchange.

**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 2009)

NAV per share:	\$0.616	Total Net Assets:	\$26.3 mm
Share price as at 30 June 09:	\$0.48	Market Capitalisation:	\$20.5 mm
Premium/Discount to NAV:	-22.1%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.0026		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2009	-3.6%	-10.4%	16.7%	6.2%	3.7%	10.0%							21.4%



Top Ten Holdings	Description	% of NAV
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	13.8%
African Bank Investments Limited	South African consumer finance and microlending company	10.1%
Katanga Mining 14% 11/30/13	Bond financing the restart of the Kamoto copper and cobalt mine in the DRC	7.0%
Addax Petroleum Corp.	Oil and gas production company with operations focused in West Africa	6.8%
Gold Fields Ltd	Fourth largest world gold producer mining primarily in South Africa	5.9%
PA Resources Didon 03/13/12	Floating rate bond with first lien on the Didon oil field in Tunisia	5.6%
Ivory Coast Gov't 10% 28/01/11	Ivory Coast securitized domestic bonds denominated in Euros	4.8%
SAPH	Ivory Coast rubber plantation operator and processor	4.5%
Nigerian Oil Warrants	Payment adjustment warrants issued by Central Bank of Nigeria	4.3%
PA Resources 10% 06/20/11	Fixed rate bond financing Azurite Republic of Congo field with 2nd lien on Didon Tunisia Field	4.2%
<b>TOTAL</b>		<b>67.0%</b>

## Manager's Comment

**Market Conditions:** The second quarter was eventful for AOF's portfolio, in what was generally an upbeat six month period for world markets. The NAV was 0.62 per share as of 30 June, a rise of 21% from where it began 2009 and a rise of 21% from where it began Q2. As a reference, in USD terms during the first half of 2009 the S&P 500 rose 2%, South Africa rose 25%, Egypt rose 22%, but Kenya declined 4%, and Nigeria declined 21%.

**NAV Performance and Portfolio Highlights:** During the quarter, our holdings in Moto Goldmines and Addax Petroleum were the subject of agreed takeover bids. In the case of Moto, the Canadian listed Red Back Mining made an all-share offer on 1 June which represented a 46% premium over the then current share price and a transaction valued at \$525 million. We sold a portion of our holding soon after the announcement but have been impressed with Red Back Mining's management and assets in Ghana and Mauritania, and intend to hold some Red Back Mining shares after the merger is complete. Year to date AOF has earned a 160% return on its Moto investment.

In the case of Addax, the China Petroleum Corporation (Sinopec) made an all-cash offer on 24 June which represented a 47% premium over the share price prior to disclosure on 5 June by Addax that it was in discussions with potential acquirers. The transaction is valued at \$8.8 billion and was described as "transformational" by Sinopec. It is a remarkable turn of events from the end of last year. In November, for example, AOF purchased convertible bonds in Addax at less than 50% of par and we purchased shares in Addax at less than \$20. The takeover price of \$52.80 represents a 133% return from where Addax shares began the year.

AOF recently acquired subordinated notes issued by Old Mutual PLC, a FTSE 100 investment grade company that earned more than 70% of its adjusted operating profits in Africa in 2007 and 2008. The notes rank senior to the equity in the capital structure and enjoy a \$7 billion equity cushion provided by those shares, but were priced in the 30s at current yields between 16% and 20%. At those levels, the notes could triple in price and still trade below par. As with many insurance companies in the world today, Old Mutual's balance sheet is stretched, the dividend on the ordinary shares has been cancelled, and the market is valuing the shares below book value. However, Old Mutual remained profitable in 2008, it retains an investment grade rating, and in our judgment is adequately capitalized. While the market may prize the liquidity of the ordinary shares and view a 30% discount to book value as a margin of safety, we are delighted accept illiquidity for a high yield and a 90% discount to book value.

Elsewhere in the portfolio challenges remain. Diamondcorp has encountered operational delays and is running short of cash. In addition, the political situation in the Ivory Coast continues to deteriorate and a lack of financial discipline leads us to believe a default could be on the horizon.

**Portfolio Appraisal Value:** As of 30th June, the Manager's appraisal of the intrinsic economic value of the portfolio was \$0.78 per share. The market price of \$0.48 as of quarter end, represents a 38% 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 are focused on investing in companies with minimal debt and little need to access the capital markets, with a particular emphasis on goods and services in short supply in Africa. Market leading, cash generative businesses are trading at historically low valuations, and where we can find companies offering a single digit PE, significant free cash flow, and a secure market position, we will look to deploy risk capital. At the same time, in the realm of fixed income, where we can find a 20%+ yield to maturity and high asset coverage with a loan-to-value ratio better than 50%, we will also look to deploy risk capital.

## 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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*Nominated*

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*Auditor:* Ernst & Young

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