

**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.

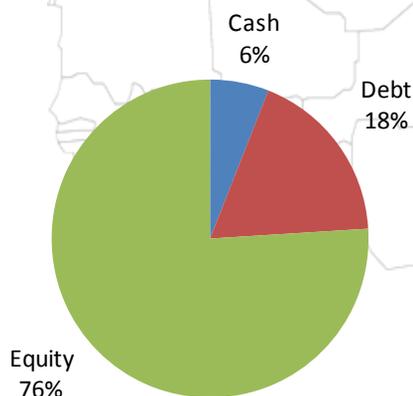
**Dividend policy:** The Fund will pay a quarterly dividend which will equal 1 year Libor on an annual basis.

## Fund Performance (as of 30 June 2013)

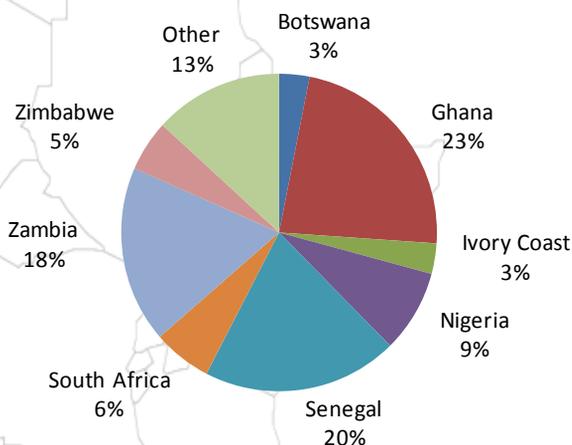
NAV per share:	\$1.124	Total Net Assets:	\$47.9 mm
Share price as at 30 June 13:	\$0.979	Market Capitalisation:	\$41.7 mm
Premium/Discount to NAV:	-12.9%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.002		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2013	4.9%	-0.8%	7.8%	5.6%	-1.6%	0.4%							17.1%

## Strategy



## Geographic Exposure



Top Ten Holdings	Description	% of NAV
Enterprise Group Ltd	Ghana insurance company engaged in property & casualty insurance, life assurance, and ownership of commercial and undeveloped property	14.2%
Sonatel	Dominant Senegalese and regional mobile phone provider	13.4%
African Bank Investments Limited	South African consumer finance company, also operates a furniture and electronic appliances retailing division	9.5%
Shoprite Holdings Ltd.	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	9.3%
Tizir Ltd 9% 2017	1 <sup>st</sup> priority debt issued by Tizir, an Eramet lead JV developing the Grande Cote Mineral Sands Project in Senegal with the Tyssedal Titanium smelter in Norway providing collateral.	6.5%
Okomu Oil Palm PLC	Nigerian palm oil and rubber plantation operator and processor	4.7%
Standard Chartered Bank Ghana	Leading Ghana commercial bank	4.5%
PA Resources 12.25% 2016	Restructuring Swedish listed oil and gas company with producing assets in West Africa and North Africa	3.3%
Letshego	Botswana based consumer finance lender focused on government sector employees	3.1%
Old Mutual PLC	Largest African life insurance company, with asset management, property and casualty, and banking operations across the continent	3.1%
<b>TOTAL</b>		<b>71.6%</b>

## Manager's Commentary

**Market Conditions:** AOF's NAV increased approximately 4.3% during Q2 2013. As a reference, in US terms in Q2 2013, the S&P rose 2.9%, South Africa fell 7.3%, Egypt fell 11.4%, Kenya fell marginally - 0.3%, and Nigeria rose 7.7%.

**Portfolio Highlights:** The major contribution to AOF's respectable performance in Q2 2013 was continued appreciation of a few holdings in Ghana and Nigeria. In US Dollar terms, Enterprise Group's share price rose by 52% in Q2 while Okomu Oil's rose by 29%. Their respective trailing 12 month P/E ratios at the end of Q2 stood at 3.9X, and 16.8X. AOF sold 78% of its Okomu Oil holdings in April and May because its share price appreciated well above our March 31, 2013 appraisal value. It took 7 months to acquire our entire Okomu position in 2011 and 5 weeks to complete our sales. Clearly, even the more illiquid of African listed companies enjoy breezes of liquidity from time to time. This outcome illustrates that illiquidity is often part of the challenge in acquiring misunderstood or overlooked shares. As prices recover very often liquidity recovers too. Happily, Okomu has generated a total US Dollar return of 434% over 2 years.

Q2 provided challenges and disappointment too. African Bank Investment Limited I ("ABL") lost half its value. We considered it one of our safe investments and its share price collapse is humbling, to say the least. ABL announced in early May that its interim profits would be 30% lower because of high non-performing loans, especially among some of its Ellerines furniture retailing customers. ABL responded by cutting its dividend 71% and reducing its dividend payout ratio from 50% to 20%. It continues to face serious challenges such as the possibility of a credit downgrade by Moody's as well as the danger of South Africa's own sovereign credit rating being downgraded in the next year. But, a crucial ameliorating feature was that ABL continued to generate more after-tax cash from its advances book than net income. In the long run, net cold cash from advances is what builds a bank; not accruing profits. African Bank remains very strong on that measure. Undoubtedly, it will take a few years for its share price to leave the recovery ward. Nevertheless, in the here and now, we have increased substantially our investment in it. The other disappointment during Q2 was the accelerated decline in the price of gold miners like Anglogold Ashanti. They suffered grievously from the sharp downturn in the gold price combined with the prospect of tough wage negotiations and bitter strikes in South Africa.

Finally, as discussed previously, we expected the Shoprite litigation to commence in Q3. This litigation did in fact commence in July. See our announcement released to the market 29 July and available on the AOF website. We continue to remain confident that AOF holds clear title to its shares.

**Portfolio Appraisal Value:** As of 30 June, the Manager's appraisal of the economic value of the portfolio was \$ 1.35. The market price of \$0.979 at 30 June represents a 27% 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.

**Outlook:** We believe that AOF's portfolio possesses undervalued companies. Its top 10 holdings combined offer a weighted average P/E ratio of 7X, a dividend yield of 5.6%, a return on assets of 8.6% and a return on equity of 21.7%. We are excited by these attractive valuation metrics and remain optimistic about AOF's prospects.

## 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  
*Email Address:* [funds@lcf.co.uk](mailto:funds@lcf.co.uk)

*ISIN:* KYG012921048  
Euroclear/Clearstream

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

*Inception:* 26 July 2007

*Domicile:* Cayman Islands

*Nominated Adviser:* Grant Thornton UK LLP  
Tel: +44 20 7383 5100

*Auditor:* Ernst & Young

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