

**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.

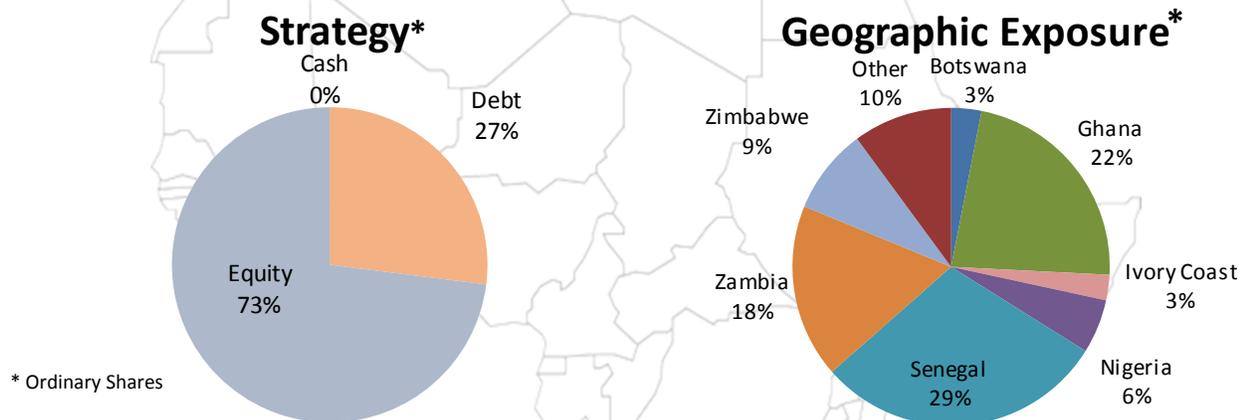
**Listing:** AOF was traded on AIM through 17 April 2014 at which time it was admitted to the LSE Specialist Funds Market.

**Dividend Policy:** An amount equal to the total comprehensive income of the Company (excluding net capital gains/losses), such amount to be paid annually, commencing Q1 2015.

**Fund Performance (as of 30 June 2014) – Ordinary Shares**

NAV per share:	\$1.108	Total Net Assets:	\$47.2 mm
Share price as at 30 Jun 14:	\$1.14	Market Capitalisation:	\$48.6 mm
Premium/Discount to NAV:	2.89%	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%							-9.0%



Top Ten Holdings - Ordinary Shares	Description	% of NAV
Sonatel	Dominant Senegalese and regional mobile phone provider	16.5%
Enterprise Group Ltd	Ghana insurance company engaged in property & casualty insurance, life assurance, and ownership of commercial and undeveloped property	14.2%
Tizir Ltd 9% 2017	1 <sup>st</sup> 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 Tysedal Titanium smelter in Norway providing collateral	9.6%
Shoprite Holdings Ltd	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	8.2%
Naspers Ltd	A leading television and media company in Southern Africa. Its Chinese listed Tencent holding is hedged with a short position, sharpening AOF's focus on the Africa broadcast media franchise	7.1%
IAMGOLD Corp 6.75% 10/01/20	Gold mining company focused in West Africa, while also holding some South American and Quebec development & exploration projects	6.0%
PA Resources 12.25% 2016	Swedish listed oil and gas company with producing assets in West Africa and North Africa undergoing a recapitalization	3.7%
Old Mutual PLC	Largest African life insurance company, with asset management, property and casualty insurance and banking operations across the continent	3.6%
Standard Chartered Bank Ghana	Leading Ghana commercial bank	3.6%
AngloGold Ashanti Ltd	Holding company for a group of companies which explore for and mine gold internationally.	3.0%
<b>TOTAL</b>		<b>75.5%</b>

## Manager's Commentary

**Market Conditions:** AOF's NAV decreased 10.1% during Q2 2014. By comparison, in US dollar terms in Q2 2014 the S&P rose 5.2%, South Africa rose 6.1%, Egypt rose 2.7%, Kenya rose 4.2%, and Nigeria rose 13.3%.

**Portfolio Highlights:** The Q2 decline in AOF's NAV was precipitated primarily by the collapse of Ghana's Cedi. The Cedi depreciated against the Dollar by 8% in May alone, and 20% overall during the quarter. To compound the pain of the Cedi's depreciation, EGL's share price declined 23% while that of Standard Chartered Bank fell 4%. Ghanaians and foreigners alike have lost confidence in the government's fiscal sobriety. AOF has resisted the urge to flee Ghana for two reasons: most of its capital in Ghana is invested in industry-leading financial service operators which over the long term have unequivocal records of strong earnings growth and dividends in US dollars. Standard Chartered Bank's H1 2014 profits, for example, only declined from \$41.4 to \$40.7 million. Enterprise's interim results, however, disclosed that, despite a decline in investment income from \$8.8 to \$8.4 million, overall net profits fell from \$10.6 to \$1.6 million due to a flat performance of its equity portfolio in 2014 versus strong results in 2013. Listed equities accounted for 24% of its portfolio at year-end and the Ghana stock market was down 22% in US Dollars at the end of Q2.

Elsewhere in the portfolio our largest holding Sonatel reported pleasing H1 2014 numbers, with an EBITDA margin of 51%, return on equity of 32%, and net profit margin of 25%. Subscriber numbers rose 22% to 24 million, revenue rose 12%, year on year, and profits rose 7%. The presence of Naspers, our fifth largest holding, with its sky-high P/E ratio of 83 demands an explanation. It is part of a paired trade in which AOF is short Tencent, its impressive Chinese internet affiliate. We established this investment when Naspers was trading at a discount to the value of its holding in Tencent, meaning that synthetically we purchased the non-Tencent business for free. What is this business? It is the dominant African pay-TV franchise, with 8 million subscribers, which generated \$1 billion in EBITDA and \$420 million in net profit in the last financial year. The fact that the South African market is assigning no value to Naspers' pay-TV business is astonishing to us.

Shoprite's Zambian listed shares declined by 2.5% as a result of the weakening Kwacha, leaving the discount of Shoprite's Lusaka share price to its JSE price at approximately 33%. We continue to work towards obtaining judicial confirmation of AOF's title to its Shoprite shares.

Finally, a comment on African Bank Investments. Subsequent to 30 June it announced poor results, and on 6 August its ordinary shares fell 60% and its preferred shares fell 10%. Prior to that collapse AOF held a position in the ordinary shares worth approximately 1.6% of its NAV and a position in the preferred shares worth 0.6% of NAV. Note the C share pool has negligible exposure to African Bank.

**Portfolio Appraisal Value:** As of 30 June, the Manager's appraisal of the economic value of the portfolio was \$1.37. The market price of \$1.14 at 30 June represents a 16% 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 (including the Naspers paired trade) combined offer a weighted average dividend yield of 5.8%, a P/E ratio of 13.5X, a return on assets of 5.2% and a return on equity of 11.3%. We are excited by these attractive valuation metrics and remain optimistic about AOF's prospects.

**C Share Issue:** AOF closed a share placing which raised \$29.2 million in the form of C shares (listed on the SFM under the ticker "AOF LN") on April 17. The NAV of AOF LN declined 2.8% in Q2. We have begun to invest this new capital separately from the capital underpinning AOF's ordinary shares. As of the end of June, 25% of that capital had been invested, with 19% in debt, and 6% in equity. Nigeria, South Africa, Zambia, and Zimbabwe have received the majority of the C share's invested capital in sectors like insurance, real estate, industrial minerals and oil and gas.

## Fund Details

<i>Bloomberg:</i>	AOF LN	<i>Portfolio Managers:</i>	Francis Daniels Robert Knapp
<i>Reuters:</i>	AOF.L	<i>Investment Manager:</i>	Africa Opportunity Partners Ltd.
<i>Website:</i>	<a href="http://www.africaopportunityfund.com">www.africaopportunityfund.com</a>	<i>Email Address:</i>	<a href="mailto:funds@lcf.co.uk">funds@lcf.co.uk</a>
<i>Listing:</i>	AIM / London Stock Exchange	<i>Broker:</i>	LCF Edmond de Rothschild Securities
<i>Structure:</i>	Closed-end		Tel: +44 20 7845 5960 Fax: +44 20 7845 5961 <a href="http://www.countryfunds.co.uk">www.countryfunds.co.uk</a>
<i>ISIN:</i>	KYG012921048 Euroclear/Clearstream	<i>Auditor:</i>	Ernst & Young
<i>Inception:</i>	26 July 2007		
<i>Domicile:</i>	Cayman Islands		

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