

Investment Objective: To earn consistent 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. It also has a primary listing on the Channel Islands Stock Exchange and is therefore a "qualifying investment" within a UK ISA, PEP or SIPP.

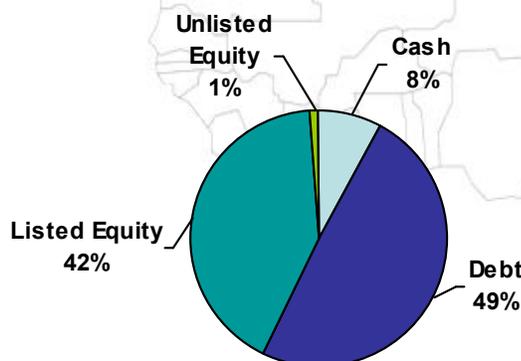
Dividend policy: The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

Fund Performance (as of 30 September 2008)

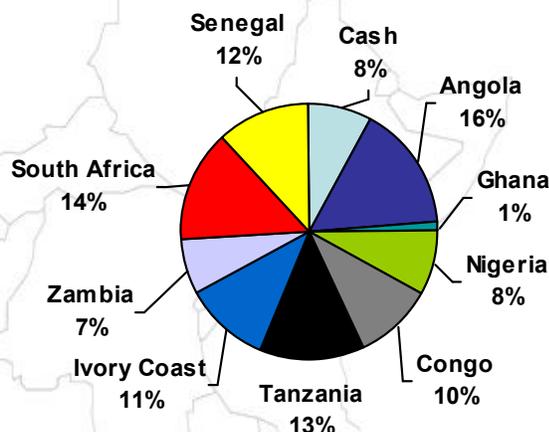
NAV per share:	US\$0.79	Total Net Assets:	US\$94.8 m
Share price as at 30 Sept. 08:	US\$0.77	Market Capitalisation:	US\$92.4 m
Premium/Discount to NAV:	-2.53%	Shares outstanding:	120 m
Current Quarterly Dividend:	\$0.0113		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2008	-0.7%	1.9%	1.4%	1.0%	0.1%	-0.6%	-3.8%	-8.2%	-9.8%	n/a	n/a	n/a	-15.5%

Strategy



Geography



Top Ten Holdings	Rationale & Description	% of NAV
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	12.3%
AFDB 13.75% TZS 5/9/09	African Development Bank AAA rated Tanzanian Shilling bond	8.6%
Katanga Mining KATCN14 11/30/13	Corporate debt financing the restart of the KOV copper and cobalt mine in the Democratic Republic of Congo	8.0%
Africa Offshore LIB+600 6/29/12 FRN	US\$ floating rate bond with 2 nd priority mortgage on oilfield construction vessels	7.5%
Ivory Coast Govd 10% 28/01/11	Ivory Coast domestic debt denominated in CFA francs	6.3%
Marine Subsea 7.5% Convertible Note	Norwegian based oil well service vessel with long term Sonangal contract	5.8%
Gold Fields Ltd	One of the world's largest gold producers with operations focused in Africa	5.0%
SAPH	Ivory Coast rubber plantation operator and processor	4.6%
Addax Petroleum Corp.	Oil and gas production company with operations focused in West Africa	4.3%
African Bank Investments Limited	South Africa consumer finance and microlending company	4.2%
TOTAL		66.6%

Manager's Comment

Market Conditions: AOF's NAV fell 20% during the third quarter of 2008, from \$0.99 to \$0.79, bringing the year to date 2008 return to -15%. The credit crisis is emanating from leveraged financial institutions in the US, but securities in emerging markets felt the impact the most. Whereas the S&P 500 declined 9%, Russia declined 48%, Brazil declined 38%, China declined 23%, and India declined 15%. Africa fared similarly: South Africa declined 20%, Nigeria declined 17%, Kenya declined 23%, and Egypt declined 27%.

NAV Performance and Portfolio Highlights: AOF's performance is disappointing in absolute terms, but is broadly in line with overall markets. Our bond investments dropped in value, failing to shelter the portfolio from equity investment returns. Though credit markets in certain ways are not functioning properly, we believe the current prices represent an extreme level of pessimism. To illustrate by way of example, our Katanga Mining bonds have a YTM of 16%, our Africa Offshore bonds have a YTM of 16%, and our Ivory Coast bonds have a YTM of 28%. The African Offshore bonds are particularly compelling, priced at 82% of par even though we were repaid 20% of the principal value of the bonds early at 108% of par value in September. In the equity realm, the portfolio's holdings in development and exploration stage natural resource companies had a particularly difficult quarter. Some are trading below the per share level of net cash on the balance sheet. Across the globe, investors have repriced companies which are consuming cash, and it could be for good reason.

One silver lining to the market decline is that we invested substantial sums of our available cash at very attractive valuations. African Bank Investments, for example, which is a microlending company based in South Africa, is trading at 9X earnings, a 9% dividend yield, and a 19% free cash flow yield. Similarly Addax Petroleum, which produces oil in Nigeria and West Africa, is valued at 5X earnings and a 1.6X EV/Ebitda multiple. Gold Fields, the Africa focused gold miner, is trading at 11X trailing earnings and at a discount of nearly 20% to our estimated NPV. the widest NPV discount we have observed in 11 years.

Liquidity is tight across the globe. In September we signed documents to lend \$5 million to a South African diamond producer with a 12% coupon on a senior secured, amortizing basis with a warrant package worth approximately \$500,000 (Black Scholes valuation). This deal, we believe, would not have been possible without the credit crunch. We hope to find more opportunities like this and welcome referrals from investors.

Portfolio Appraisal Value: The Manager has instituted a policy of sharing our appraisal of the portfolio's intrinsic value on a quarterly basis in these newsletters. The objective is to provide shareholders with our assessment of the portfolio's underlying attractiveness which can also be monitored over time. As of 30th September the Manager's appraisal of the intrinsic economic value of the portfolio was \$0.99 per share, implying that the shares, priced at \$0.77 as of quarter end, in our view represent a discount of 22% to intrinsic economic value.

Forward 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, a double digit free cash flow yield, and a secure market position, we will look to deploy capital. As a general guideline, however, our existing portfolio offers substantial value, and our first priority will be to use available cash to buy our own shares at a discount to NAV.

Fund Details

<i>Bloomberg:</i>	AOF LN	<i>Portfolio</i>	Francis Daniels
<i>Reuters:</i>	AOF.L	<i>Managers:</i>	Robert Knapp
<i>Website:</i>	www.africaopportunityfund.com		
<i>Listing:</i>	Channel Islands Stock Exchange AIM / London Stock Exchange	<i>Investment</i>	
<i>Structure:</i>	Closed-end	<i>Manager:</i>	Africa Opportunity Partners
<i>ISIN:</i>	KYG012921048 Euroclear/Clearstream	<i>Email Address:</i>	funds@lcf.co.uk
<i>Inception:</i>	26 July 2007	<i>Broker:</i>	LCF Edmond de Rothschild Securities Tel: +44 20 7845 5960 Fax: +44 20 7845 5961 www.countryfunds.co.uk
<i>Domicile:</i>	Cayman Islands	<i>Nominated Adviser:</i>	Grant Thornton UK LLP Tel: +44 20 7383 5100
		<i>Auditor:</i>	Ernst & Young

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