

**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.

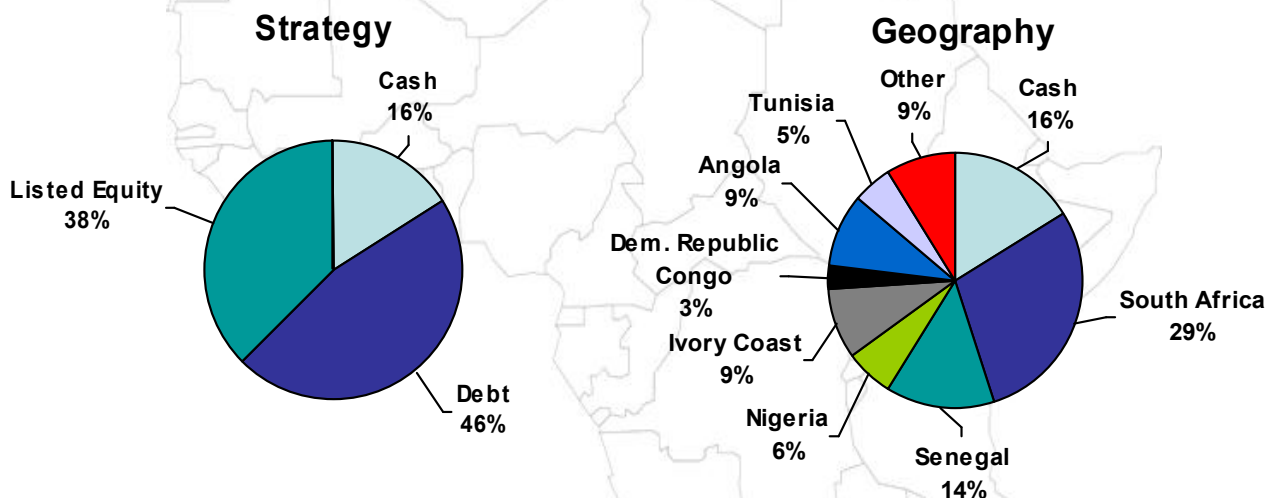
**Listing:** AOF is traded on the AIM market of the London Stock Exchange.

**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 September 2009)

NAV per share:	\$0.715	Total Net Assets:	\$30.5 mm
Share price as at 30 Sept 09:	\$0.57	Market Capitalisation:	\$24.3 mm
Premium/Discount to NAV:	-20.3%	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	-2.1%	-10.4%	16.7%	6.2%	3.7%	10.0%	5.0%	2.4%	8.0%				43.0%



Top Ten Holdings	Description	% of NAV
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	14.0%
Old Mutual 6.376% 3/29/49 and 5% 11/29/49 Bonds	Largest African Life insurance company, with operations across the continent in addition to Europe and the United States	12.9%
PA Resources Bonds	Floating rate bond with first lien on the Didon oil field in Tunisia and Fixed rate bond financing Azurite Republic of Congo field with 2 <sup>nd</sup> lien on Didon field	12.3%
African Bank Investments Limited	South African consumer finance and microlending company	9.4%
Africa Offshore LIB+600 2/15/12 and LIB+600 6/29/12	Floating rate US\$ 1st priority mortgage bonds on oilfield construction vessels	7.3%
Tullow Oil PLC	Oil and gas exploration and production company with a focus on West Africa and Uganda	-6.4%
Gold Fields Ltd	Fourth largest world gold producer mining primarily in South Africa	5.8%
Nigerian Oil Warrants	Payment adjustment warrants issued by Central Bank of Nigeria	5.7%
Ivory Coast Govt 10% 28/01/11	Ivory Coast securitized domestic bonds denominated in Euros	4.3%
SAPH	Ivory Coast rubber plantation operator and processor	3.2%
<b>TOTAL</b>		<b>68.5%</b>

## Manager's Comment

**Market Conditions:** The third quarter was generally upbeat for AOF and for world markets. The NAV rose 16% from where it began Q3, closing at \$0.72 per share as of 30 September. Year to date the NAV has risen 43% in 2009, including dividends. As a reference, in USD terms during Q3 the S&P 500 rose 15%, South Africa rose 17%, Egypt rose 22%, but Kenya declined 6%, and Nigeria declined 17%.

**Portfolio Highlights:** During the quarter M&A activity which began in Q2 continued, with Sinopec completing its acquisition of Addax Petroleum, and Moto Goldmines receiving a competing offer from Randgold and Ashanti Goldfields. The competing offer was only a slight improvement in value from the original Red Back Mining offer, but included the certainty of a partial cash payment. The Randgold-Ashanti proposal has now been approved by both sets of shareholders and closed in October. Year to date AOF has earned a 220% return on its Moto investment.

During Q3 AOF initiated a short position in Tullow Oil plc. Tullow is an E&P company listed in London with operations focused in Africa. It is a company which has recently done everything right, drilling 20 successful exploration wells in a row in Ghana and Uganda. In the view of AOF, however, Tullow's stock market valuation is disconnected from fundamentals. In Uganda, for example, Tullow's discovery does not yet have a meaningful market for sales. To commercialize its discovery a pipeline must be built from Uganda across Kenya to Mombassa. Optimistic analysts forecast oil to begin flowing in 2015. When we put a meaningful discount rate on those future cashflows, we find it hard to assign more than \$2 per reserve barrel in value to those Ugandan assets. Yet several sell-side analysts have assigned valuations of \$5 per reserve barrel. In Ghana, Tullow's success has been outstanding. Yet its partner in the region, major American independent oil producer-Anadarko Petroleum, is valued at more than a 50% discount to Tullow. Below is a table comparing the two valuations.

Tullow vs. Anadarko		
	Tullow	Anadarko
EV ( <i>billion \$</i> )	17.0	40.0
Reserves ( <i>million boe</i> )	314.1	2277.0
Production ( <i>million boe / year</i> )	24.3	206.0
EV/Reserves ( <i>\$/boe</i> )	54.1	17.6
EV/Production ( <i>\$/boe</i> )	699.3	194.2
EV/ T12M Ebitda	55.0	6.0
P/ T12M Earnings	76.0	15.0
P/ T12M Cash Flow	40.0	5.5
P/B	6.8	1.7

Sources: company annual reports, Bloomberg

Tullow's annual report and its company Fact Book presents Reserves and Resources in headline numbers. The figure reported, over 800 million boe, is far higher than Tullow's actual reserves at year end, which were 314 million boe of proven and probable (2P) reserves. Anadarko, in contrast, only presents proven (P1) reserves in its annual report, which were 2,277 million boe. If Anadarko presented its 2P reserves and resources in the same form as Tullow, then we estimate the figure would be over 10 billion boe. On this basis, investors in Tullow are paying \$20 for each resource barrel while investors in Anadarko are paying \$4.

AOF's main investment counter to the Tullow short position are bonds issued by the Swedish listed PA Resources, which also is focused on Africa. During Q2 and Q3 AOF invested in obligations that are secured by producing assets in Tunisia and Congo. We invested with yields over 30%, and measured in terms of reserves, at an EV/boe of less than \$3.

**Portfolio Appraisal Value:** As of 30th September, the Manager's appraisal of the intrinsic economic value of the portfolio was \$0.85 per share. The market price of \$0.57 as of quarter end, represents a 33% 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.

## 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
<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>Nominated Adviser:</i>	Grant Thornton Corporate Finance Tel: +44 20 7383 5100
<i>Inception:</i>	26 July 2007	<i>Auditor:</i>	Ernst & Young
<i>Domicile:</i>	Cayman Islands		

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