

**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.

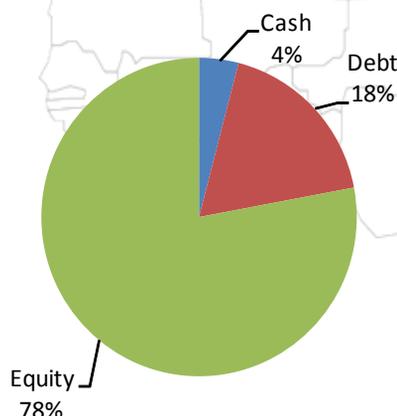
**Dividend policy:** The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

## Fund Performance (as of 30 September 2011)

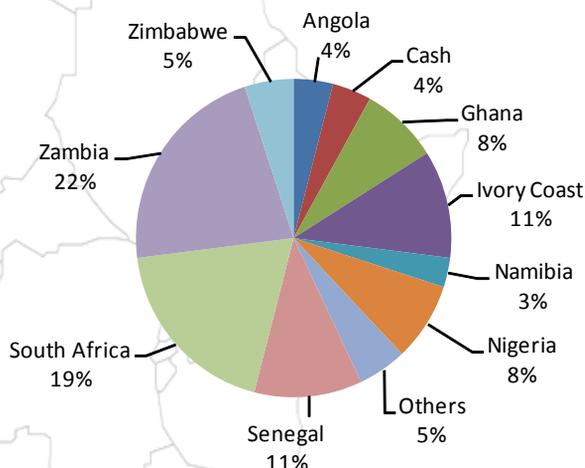
NAV per share:	\$0.904	Total Net Assets:	\$38.5 mm
Share price as at 30 Sept 11:	\$0.790	Market Capitalisation:	\$33.7 mm
Premium/Discount to NAV:	-12.6%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.0018		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2011	-1.4%	-1.1%	2.9%	5.5%	1.5%	-0.9%	4.2%	-2.5%	-9.0%				-1.7%

## Strategy



## Geography



Top Ten Holdings	Description	% of NAV
Shoprite Holdings Ltd.	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	19.8%
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	11.0%
SAPH	Ivory Coast rubber plantation operator and processor	7.3%
African Bank Investments Limited	South African consumer finance, furniture and electronic appliances retailing company	6.5%
Sea Trucks Group CB 10% 2015	One of largest and fastest growing oil and gas marine contractors in West Africa	5.2%
Old Mutual £6.376% Perpetual Bond	Largest African life insurance company, with operations across the continent	4.9%
Enterprise Group Ltd	Insurance company engaged in property and casualty insurance, life assurance, and ownership of commercial and undeveloped property	4.3%
Marine Subsea Series I & Series II 9% 12/19/19	Defaulted African Offshore bonds secured by oilfield construction barges operating in Angola	4.2%
Great Basin Gold 8% CB 11/30/14	Gold mining company developing assets in South Africa and Nevada	4.2%
Naspers Ltd	Southern Africa's leading television and media company. Its Chinese listed Tencent holding is hedged with a short position, focusing AOF's investment on the Africa broadcast media franchise. The net exposure is 1.1% of NAV	4.0%
<b>TOTAL</b>		<b>71.4%</b>

## Manager's Comment

**Market Conditions:** AOF's NAV, including dividends, fell by 7.7% during Q3, closing at \$0.904 on September 30, 2011. As a reference, in US Dollar terms in Q3 2011, the S&P declined by 13.9%, South Africa declined 20.8%, Egypt declined 21.4%, Kenya declined 26.3%, and Nigeria declined 21.8%.

**Portfolio Highlights:** AOF's NAV fell in absolute terms, which was something of a disappointment after reporting a closing July NAV above \$1.00. Nevertheless, AOF's portfolio outperformed the majority of Africa equity indices, highlighting the benefits of the Manager's preference for strong cash generating businesses. AOF's peak-to-trough decline in August was 3.9%, as its net asset value declined from \$1.022 to \$0.981. The peak-to-trough movement in September was a much steeper 10.5%. For comparative perspective, the Market Vectors Africa Index ETF, which mirrors the Dow Jones Africa Titans 50 Index, suffered a peak-to-trough decline in August of 13.67% and 11.84% in September. Approximately 40 percent of those losses arose from currency movements against the US Dollar, with 2/3rds of those currency losses coming from two currencies: the Euro and its African peg (the CFA Franc) and the Rand. Old Mutual's GBP denominated perpetual bond lost approximately 1/5<sup>th</sup> of its value as the market worried about the exposure of the entire North American and European insurance sectors to European bank bonds and southern European sovereign debt. In fact, Old Mutual has little to no investment in southern European sovereign debt.

The bright points in AOF's portfolio came from the gains generated by Shoprite Plc in Zambia, tropical plantation operators, and AOF's short positions. Shoprite delivered respectable results for its 2011 financial year. It expanded its Nigerian presence from Lagos to Enugu during Q3. Tropical plantations announced excellent 1H 2011 results soaked in cash. AOF's short positions delivered both capital gains and currency gains against the US Dollar as base metals prices swooned and the Euro declined against the US Dollar. Two of the largest capital losses endured during this quarter were precipitated by changes in government policies. The reintroduction by the Senegalese government of a tax on international calls ate into one of Sonatel's strengths as an integrated phone company. Letshego, a consumer finance company, lost approximately 20% because the Botswana government proposed to withdraw permission for the collection of debts owed by Botswana civil servants directly through the government payroll system. By so doing, the Botswana government increased the probability that Letshego might experience rising delinquencies in its advances book and incurring higher bank charges.

**Portfolio Appraisal Value:** As of 30<sup>th</sup> September, the Manager's appraisal of the intrinsic economic value of the portfolio was \$1.045 per share. The market price of \$0.79, at quarter end, represents a 24% 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 estimate will be realized, nor does it guarantee that any security will reach its Appraisal Value.

**Outlook and Strategy:** We remain excited by the values and opportunities we are finding and optimistic about AOF's prospects. We continue to focus on investing in companies with minimal debt that sell goods or services in short supply in Africa.

## 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@lcfr.co.uk](mailto:funds@lcfr.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 Corporate Finance  
Tel: +44 20 7383 5100

*Auditor:* Ernst & Young

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