

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 AIM, a market operated by the London Stock Exchange.

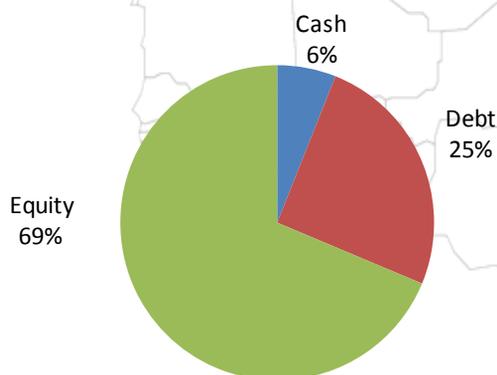
Dividend policy: The Fund will pay a quarterly dividend which will equal 1 year Libor on an annual basis.

Fund Performance (as of 30 September 2013)

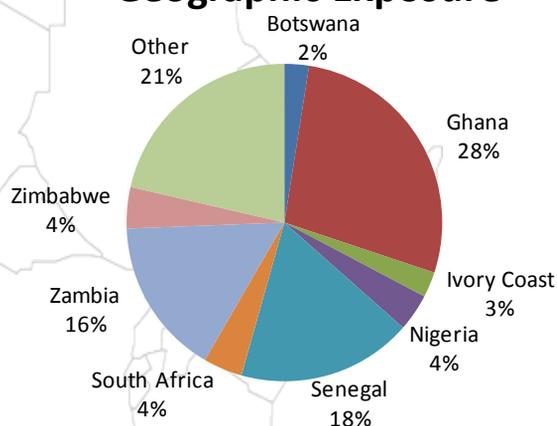
NAV per share:	\$1.211	Total Net Assets:	\$51.6 mm
Share price as at 30 Sept 13:	\$1.161	Market Capitalisation:	\$49.5 mm
Premium/Discount to NAV:	-4.10%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.002		

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%	3.2%	1.7%	2.8%				26.3%

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	20.1%
Sonatel	Dominant Senegalese and regional mobile phone provider	12.0%
Shoprite Holdings Ltd	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	9.0%
African Bank Investments Ltd	South African consumer finance company, also operates a furniture and electronic appliances retailing division	8.5%
Tizir Ltd 9% 2017	1 st 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 Tyssedal Titanium smelter in Norway providing collateral	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	4.1%
IAMGOLD Corporation 6.75% 10/01/20	Gold mining company focused in West Africa, while also holding some South African and Quebec development & exploration projects	4.1%
Bayport Management 13% 06/12/17 II	Pan African consumer finance lender focused on government and quasi-government sector employees	3.8%
Standard Chartered Bank Ghana	Leading Ghana commercial bank	3.8%
Old Mutual PLC	Largest African life insurance company, with asset management, property and casualty, and banking operations across the continent	3.0%
TOTAL		74.4%

Manager's Comment

Market Conditions: AOF's NAV increased 7.9% during Q3 2013. By comparison, in USD the S&P rose 5.2%, South Africa rose 12.5%, Egypt rose 23.8%, Kenya rose 10.1%, and Nigeria rose 2.0%.

Portfolio Highlights: A distinctive aspect of AOF's Q3 performance was its steadiness during a quarter of volatility. The common belief that the Fed was likely to commence "tapering" its purchases of US government bond in September led to a flight from several emerging markets, especially in August. Both the MSCI Africa Emerging Markets and MSCI Emerging Markets indices declined 1.7% in August, as did the S&P with a 2.9% decline, and the MSCI Frontier Market index with a 2.7% decline. The MSCI Africa Frontier Markets index's August decline of 5% was significantly worse, though it recovered 5.1% in September. AOF was able to increase its NAV in August, in part due to the continued rise of Enterprise Group which enjoyed a total USD return of 60% during the quarter and a 17% rise in August. Another contributing reason was the growing weight of corporate bonds, with high coupons, in AOF's portfolio, one example being our Tizir bond, with its 9% coupon. Finally, AOF has strategic short positions, which fell 8% in August, in companies we view as expensive which also have large global institutional investors on their share registers. Those highly priced companies act as a barometer of global risk appetite, with their share prices declining or rising sharply accordingly to large scale portfolio flows.

One of AOF's investee companies - Elemental Minerals - received a takeover offer in early July from Dingyi Group Investment Limited of Hong Kong. Elemental holds a large potash concession in the Republic of Congo. Its exploration results reveal a large resource of high purity, amenable to current conventional underground mining techniques. However, Elemental's valuation has suffered from concerns about how it would raise the large amount of capital required to commercialise its find. AOF's 2013 return on this investment has been 32%.

Now, to some troubled investments. The share price of African Bank Investments was flat in Q3 after falling approximately 50% during the first half of the year. African Bank's recently announced write-off of 4.6 billion Rands of goodwill is a minimum measure of how much it overpaid for Elleries Holdings, its furniture retailing subsidiary. It has also increased its provisions against various forms of losses. Finally, it announced an underwritten rights offering of 5.5 billion Rands, equal to 40% of its market capitalization. Yet, even in this annus horribilis, we expect African Bank's net cash flow from its loan book, after debt service and investment, to exceed 2 billion Rands (or 15% of its September 13 market capitalization of 14 billion Rands). Over time, it is the actual cash generated from a financial institution's loan book that determines its intrinsic value.

Anglogold Ashanti's share price declined by 7.1% during Q3. Some operational solace was forthcoming, however, from the sensible outcome to the wage negotiations in South Africa in which workers accepted an average wage increase of 8%. Better still, Randgold and Anglogold Ashanti commenced commercial operations at the Kibali mine in the Democratic Republic of Congo as well as the Tropicana mine in Australia. Both mines are expected to have all-in-costs per ounce less than \$1,000.

Portfolio Appraisal Value: As of 30 September, the Manager's appraisal of the economic value of the portfolio was \$1.31. The market price of \$1.16 at 30 September 2013 represents an 11% 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 dividend yield of 4.6%, a rolling P/E ratio of 8X, a return on assets of 8% and a return on equity of 21%. 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

Listing: AIM / London Stock Exchange

Structure: Closed-end

ISIN: KYG012921048

Euroclear/Clearstream

Inception: 26 July 2007

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