

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.

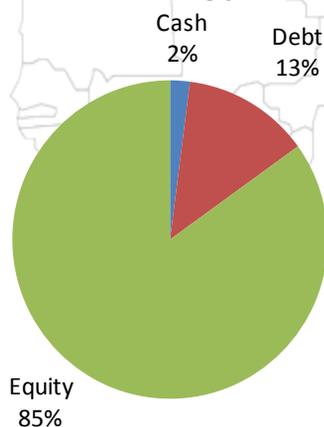
Dividend policy: The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

Fund Performance (as of 31 December 2012)

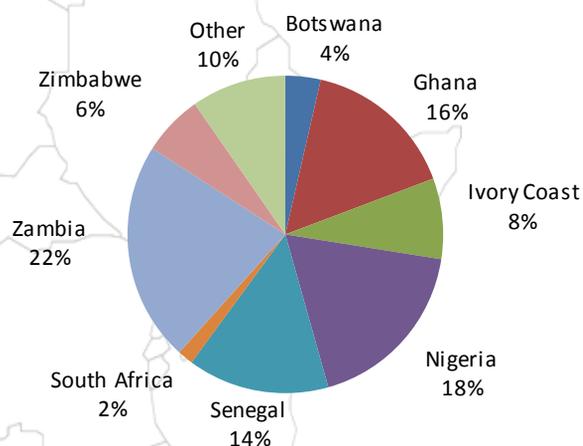
NAV per share:	\$0.964	Total Net Assets:	\$41.1 mm
Share price as at 31 Dec 12:	\$0.760	Market Capitalisation:	\$32.4 mm
Premium/Discount to NAV:	-21.13%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.0026		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2012	1.8%	0.4%	-0.3%	0.8%	-6.1%	0.8%	-0.4%	-1.9%	1.1%	-2.4%	4.6%	6.4%	4.4%

Strategy



Geographic Exposure



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	14.9%
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	12.1%
Okomu Oil Palm PLC	Nigerian palm oil and rubber plantation operator and processor	11.0%
Enterprise Group Ltd	Insurance company engaged in property and casualty insurance, life assurance, and ownership of commercial and undeveloped property	7.0%
African Bank Investments Limited	South African consumer finance, furniture and electronic appliances retailing company	5.9%
Sea Trucks Group CB 10% 2015	One of largest and fastest growing oil and gas marine contractors in West Africa	5.2%
Standard Chartered Bank Ghana	A provider of wholesale and consumer banking services in Ghana	4.6%
Societe des Caoutchoucs de Grand-Bereby	Ivory Coast rubber and palm oil plantation operator and processor	3.5%
Letshego	Provider of financial loan products to government, quasi-government and private sector employees	3.4%
SAPH	Ivory Coast rubber plantation operator and processor	3.3%
TOTAL		70.9%

Manager's Commentary

Market Conditions: The Africa Opportunity Fund ("AOF") finished 2012 with a respectable Q4. The NAV rose 8.3% from its September position, closing at \$0.964. Overall in 2012 the NAV returned 4.4% including dividends, while the share price rose 3.4%. As a reference, in US dollar terms in 2012 the S&P rose 16%, Brazil fell by 2%, Russia rose 15%, India rose 18%, and China rose 7%. In Africa, South Africa rose 21%, Egypt rose 37%, Kenya rose 34%, and Nigeria rose 45%.

Portfolio Highlights: AOF's top performers in 2012 were the equities of Okomu Oil, Tanzania Breweries, and Sonatel with total USD of 110%, 76%, and 34%, respectively. The principal laggards were concentrated in our junior mining investments. AOF's 63% loss in Great Basin Gold, equivalent to 4 cents per share, was the most spectacular example and was humbling. Great Basin is a company we studied carefully for several years. We visited its SA assets - the Burnstone mine in Mpumalanga province - more than once. The company appeared to successfully build a new mining plant and commence operations in 2011. Then suddenly in 2012 production and cashflow fell dramatically below management's forecasts, leading to a bankruptcy filing in September. Our preliminary assessment is that we suspect investors were victims of fraud. Management must have known about the large production shortfalls in its Burnstone mine long before they notified the market and confronted a liquidity crisis.

Another source of relative underperformance was the widening of discounts between share prices of Shoprite in Zambia and Old Mutual in Zimbabwe and their comparable JSE prices. To be sure, in the case of Shoprite, the prospect of litigation by Shoprite against some of its shareholders has frozen share trading activity. Nevertheless, if the 30% discount from its JSE share price at which Shoprite traded on the Lusaka Stock Exchange at the end of 2011 had persisted at the end of 2012, instead of the 51% discount prevailing on 31 December 2012, AOF's December NAV per share would have been 7.7 cents higher. We continue to believe Shoprite is mistaken in challenging Lusaka shareholders and that AOF shall prevail in any form of adjudicated proceedings, but patience will be required. The timing of discount narrowing can never be predicted, but its almost inevitable that at some point such narrowing does occur.

For Sonatel and Standard Chartered Bank, bonus issues or stock splits presaged their respective 28% and 66% returns during the quarter. Rapid share appreciation begs the question whether those companies might be overvalued, but closer examination yields a resounding negative answer, as the table below makes clear. The juxtaposition of those high operational returns with low valuation ratios signifies that AOF's portfolio displays strong earning power and is undervalued.

Company	ROA	ROE	P/E	Div Yield
Sonatel	13%	26%	10x	9%
Standard Chartered Bank Ghana	4%	37%	14x	4%
AOF Top 10 Holdings	17%	32%	8x	8%

Portfolio Appraisal Value: As of 31 December the Manager's appraisal of the intrinsic economic value of the portfolio was \$1.27 per share. The market price of \$0.76 as of year-end represents a 40% 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.

Strategy: We remain focused on investing in companies with minimal debt that sell goods and services in short supply in Africa. We also invest in commodity related companies, on a selective basis, when we can implicitly purchase the underlying resources at a material discount to spot market values. In our opinion 2013 offers an exciting investment vista for the value investor in Africa. In our upcoming Annual Report we will provide a more detailed review of the year and portfolio activities.

Fund Details

Bloomberg: AOF LN

Reuters: AOF.L

Website: 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@lcf.co.uk

ISIN: KYG012921048

Euroclear/Clearstream

Broker: LCF Edmond de Rothschild Securities

Tel: +44 20 7845 5960

Fax: +44 20 7845 5961

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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