

**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.

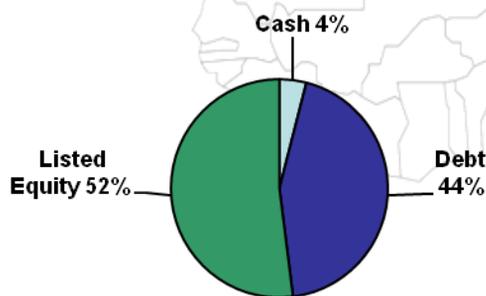
**Dividend policy:** The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

## Fund Performance (as of 31 March 2010)

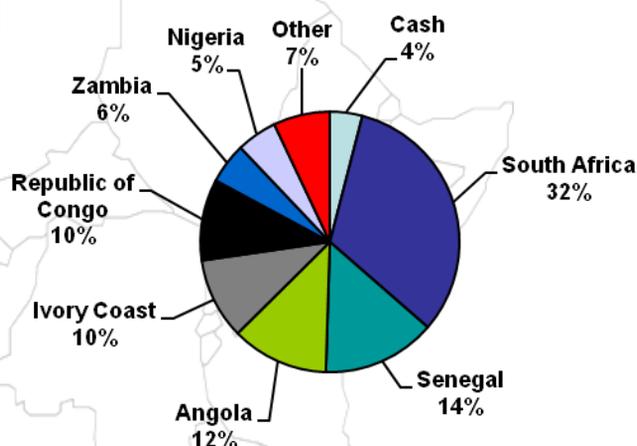
NAV per share:	\$0.810	Total Net Assets:	\$34.5 mm
Share price as at 31 Mar 10:	\$0.59	Market Capitalisation:	\$25.2 mm
Premium/Discount to NAV:	-27.2%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.0018		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2010	5.6%	1.2%	3.1%										10.1%

### Strategy



### Geography



Top Ten Holdings	Description	% of NAV
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	14.2%
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	13.1%
Marine Subsea (Cyprus) 9% 12/19	Restructured African Offshore bonds paying 9% interest on oilfield service and construction vessels operating in Angola	12.0%
African Bank Investments Limited	South African consumer finance and microlending company	10.4%
PA Resources Bonds	Fixed rate bond financing Azurite Republic of Congo field with 2 <sup>nd</sup> lien on Didon field	6.7%
PA Resources AB 11% 09/14 CB	Convertible bond issued by PA Resources	6.5%
Etablissement Maurel et Prom	Oil and gas exploration and production company with a focus on West Africa and Uganda	-5.2%
Nigerian Oil Warrants	Payment adjustment warrants issued by Central Bank of Nigeria	4.8%
Ivory Coast Gov't 10% 28/01/11	Ivory Coast securitized domestic bonds denominated in Euros	4.6%
Great Basin Gold 8% CB 11/30/14	Gold mining company developing assets in South Africa and Nevada	4.2%
<b>TOTAL</b>		<b>71.3%</b>

## Manager's Comment

**Market Conditions:** 2010 has begun with an upbeat Q1 for AOF. The NAV rose 10% from where it finished in December 2009, including dividends, closing at \$0.81 per share as of 31 March. As a reference in USD terms, during the quarter the S&P 500 rose 5.4%, South Africa rose 6.1%, Egypt rose 9.5%, Kenya rose 17.9%, and Nigeria appreciated 24.7%.

**Portfolio Highlights:** During the quarter, AOF sold its Goldfields investment, realizing an attractive return. We purchased shares during mid-2008 at an average price of \$10.26, and sold them early in 2010, at an average price of \$13.40, for a 30% return. During that time the gold price rose 22%, as a comparative reference. AOF also used derivatives to enhance its investment, writing a series of call options with strike prices in the range of \$15 - \$20 that exceeded our appraisal of Goldfield's long term intrinsic value. The call premium we collected added an additional 15% to our return, so that AOF earned an overall 45% return on its Goldfields investment. The key tactical rationale for our use of options is that a limit order is a form of option. AOF is generally willing to sell any of its investments if the price reaches our appraisal of its intrinsic value. Therefore, writing a call option with a strike price at our appraisal value is a formal implementation of that strategy, while also generating extra income in the form of option premium. Whenever liquid derivative markets allow us to both decrease risk and enhance returns, we will use them in our investing.

Just after quarter-end AOF also sold its holding in oil warrants issued by the Central Bank of Nigeria. They are US dollar denominated instruments that were issued as part of a Nigerian debt restructuring in the 1990s. The warrants combine the attributes of an oil-based option and a sovereign debt instrument. They pay a semi-annual coupon until 2020 which is dependent upon both Nigeria's national average daily oil production as reported by the International Energy Agency and the market price of Bonny Light crude oil. AOF purchased its warrants during 2008 and 2009 at an average price of \$141 per warrant. AOF received approximately \$28 in cash coupons and our average selling price was \$163, producing a total return of 35%. To evaluate these warrants as an investment, AOF had to consider both the theoretical Black Scholes value produced by a binary call option model and the alternatives available such as local currency government debt or Nigerian equities. It is worth noting that AOF earned its positive 35% return during a period when the Nigeria stock market declined 48% and the Naira declined 22%.

**Portfolio Appraisal Value:** As of 31<sup>st</sup> March, the Manager's appraisal of the intrinsic economic value of the portfolio was \$0.98 per share. The market price of \$0.59, at quarter 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 particular 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. A considerable part of our search for those companies is directed both in the consumer and financial sectors and in the African markets that have failed to participate in the current rally in emerging markets. Broadly, this means that AOF is gradually reducing its portfolio of fixed income and commodity related securities and pursuing investments intended to provide long term growth. We look forward to providing more details in next quarter's report.

## 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@lcf.co.uk](mailto:funds@lcf.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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