

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.

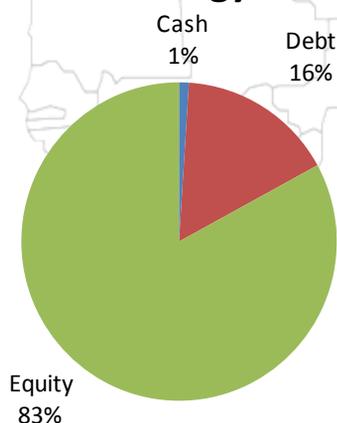
Dividend policy: The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

Fund Performance (as of 31 March 2013)

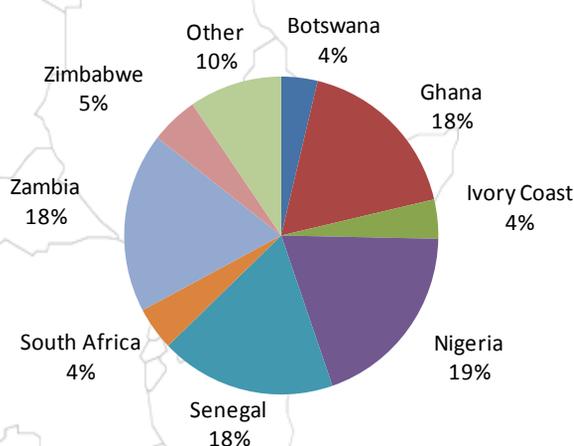
NAV per share:	\$1.079	Total Net Assets:	\$46.0 mm
Share price as at 31 Mar 13:	\$0.896	Market Capitalisation:	\$38.2 mm
Premium/Discount to NAV:	-16.95%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.002		

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%										12.2%

Strategy



Geographic Exposure



Top Ten Holdings	Description	% of NAV
Okomu Oil Palm PLC	Nigerian palm oil and rubber plantation operator and processor	16.5%
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	11.6%
Shoprite Holdings Ltd.	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	10.5%
Enterprise Group Ltd	Holding company with subsidiaries engaged in property and casualty insurance, life assurance, and ownership of commercial and undeveloped property	9.0%
Tizir Ltd 9% 2017	Vertically integrated zircon and titanium business which owns the Grande Cote Mineral Sands Project in Senegal and the Tyssedal Ilmenite Upgrading Plant in Norway	6.9%
Standard Chartered Bank Ghana	A provider of wholesale and consumer banking services in Ghana	5.7%
African Bank Investments Limited	South African consumer finance, furniture and electronic appliances retailing company	4.6%
Letshego	Provider of financial loan products to government, quasi-government and private sector employees	3.8%
Old Mutual PLC	Largest African life insurance company, with asset management, property and casualty, and banking operations across the continent	3.6%
Societe des Caoutchoucs de Grand-Bereby	Ivory Coast rubber and palm oil plantation operator and processor	3.2%
TOTAL		75.4%

Manager's Commentary

Market Conditions: AOF's NAV increased approximately 12% during Q1 2013. As a reference, in US terms in Q1 2013, the S&P rose 10.6%, South Africa fell 5.8%, Egypt fell 12.4%, Kenya rose 25.9%, and Nigeria rose 17.9%.

Portfolio Highlights: AOF's strong performance in Q1 2013 is primarily explained by the appreciation of its holdings in Ghana and Nigeria. Standard Chartered Bank Ghana's share price rose by 37%, Enterprise Group's by 43%, and Okomu Oil's by 68%. The respective P/E ratios at the end of Q1 stood at 13X, 3.4X, and 9.6X. Strong profit growth drove share prices. Standard Chartered profits rose 75% while Enterprise Group profits rose by 32%. Return on average equity was 50% for Standard Chartered and its return on average assets was 6%. On the ratio front, its cost to income ratio was 37%, its leverage ratio was 7.5%, and its capital adequacy ratio was 17.5%. Its only detraction was a non-performing loan ratio of 10%. Nevertheless, by any definition, Standard Chartered Bank's results were superb. As for Enterprise Group, its life and property and casualty insurance subsidiaries generated underwriting profits even as its life fund grew in size by 69% to \$43 million. In the case of Okomu Oil, during a year in which the international prices for both palm oil and rubber experienced double digit declines, profits from continuing operations in 2012 held at \$23 million versus \$25 million in 2011, accompanied by a 14% increase in net operating cash flow to \$33 million. Indeed, after reinvesting half of its profits in expansion projects, Okomu ended 2012 free of debt and in possession of a net cash balance of \$25 million. No surprise, then, that Okomu has raised its dividend by 40% to market acclaim. A health warning, though, is appropriate. The share prices of Sub-Saharan African high dividend paying companies tend to appreciate sharply in price until dividend payment, then swoon over the summer only to recover during the autumn. It should surprise no one if the share prices of Standard Chartered, Enterprise, Okomu, and other high dividend paying companies in AOF's portfolio suffer bouts of weakness later this year.

Elsewhere in the portfolio, AOF sold its Seatrucks 10% 2015 step-up bonds at a price of 123% of par, generating a total return of 40% over two years. From an initial interest rate of 10%, the coupon rose each year by 1%. Unsurprisingly, Seatrucks elected to refinance those bonds by issuing a new bond with a 9% coupon.

One unsatisfactory development was the decline in the value of AOF's hard commodity portfolio. These holdings are suffering from the negative turn in commodity prices. The other dissatisfying pattern is the continued decline in the valuation of companies like African Bank which are reliant on the anemic South African consumer. We expect the Shoprite litigation to commence during Q2.

Portfolio Appraisal Value: As of March 31st, the Manager's appraisal of the economic value of the portfolio was \$ 1.31. The market price of \$0.8963 at March 31st represents a 32% 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 5.7%, a P/E ratio of 7.5X, a return on assets of 13% and a return on equity of 27%. 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

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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