

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 was traded on AIM through 17 April 2014 at which time it was admitted to the LSE Specialist Funds Market.

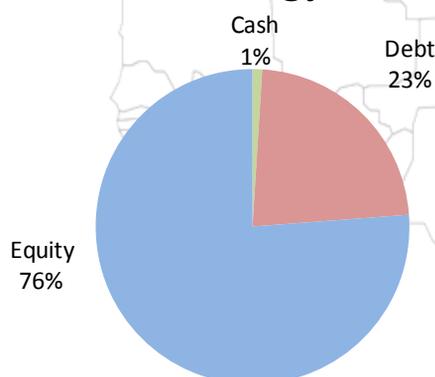
Dividend policy: The Fund will pay a quarterly dividend which will equal 1 year Libor on an annual basis.

Fund Performance (as of 31 March 2014)

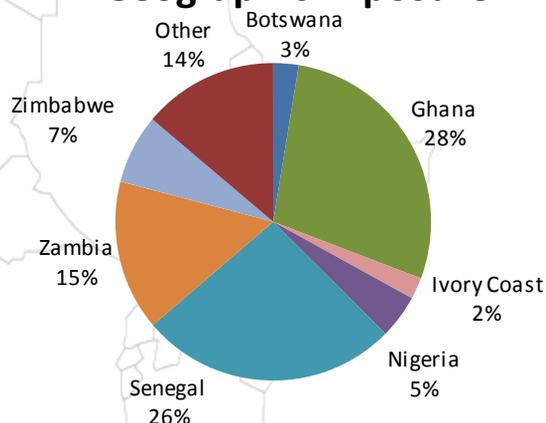
NAV per share:	\$1.235	Total Net Assets:	\$52.6 mm
Share price as at 31 Mar 14:	\$1.315	Market Capitalisation:	\$56.1 mm
Premium/Discount to NAV:	6.48%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.018		

US\$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2014	2.3%	3.1%	-4.0%										1.2%

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	20.9%
Sonatel	Dominant Senegalese and regional mobile phone provider	15.5%
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	8.8%
Shoprite Holdings Ltd	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	7.4%
African Bank Investments Ltd	South African consumer finance company, also operates a furniture and electronic appliances retailing division	5.4%
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	5.2%
Naspers Ltd	A leading television and media company in Southern Africa	4.5%
Standard Chartered Bank Ghana	Leading Ghana commercial bank	4.4%
PA Resources 12.25% 2016	Swedish listed oil and gas company with producing assets in West Africa and North Africa undergoing a recapitalization	4.2%
Old Mutual PLC	Largest African life insurance company, with asset management, property and casualty insurance and banking operations across the continent	3.2%
TOTAL		79.5%

Manager's Commentary

Market Conditions: AOF's NAV increased 1.2% during Q1 2014. By comparison, in US dollar terms in Q1 2014 the S&P rose 1.5%, South Africa fell 2.2%, Egypt rose 24.8%, Kenya rose 6.1%, and Nigeria fell 12.1%.

Portfolio Highlights: Q1 2014 was the outcome of sharp rises in January and February, followed by falls in March. AOF's major Ghanaian holdings - Enterprise Group and Standard Chartered - experienced strong appreciation in January and February in anticipation of reporting good 2013 results. The market's anticipation was duly confirmed, whereupon their shares declined in March. After accounting for the 12% depreciation of Ghana's Cedi against the US Dollar in Q1, Standard Chartered Bank Ghana's share price rose by 17% and Enterprise Group's by 13%. Their respective P/E ratios at the end of Q1 stood at 11X and 10X. Standard Chartered profits rose 27% in US Dollars while Enterprise Group profits rose by 34%. Return on average equity was 52% for Standard Chartered and its return on average assets was 8%. Year-on-year, its cost to income ratio declined from 37% to 31%, its leverage ratio fell from 7.5% to 6.1%, and its capital adequacy ratio rose from 17.5% to 23.6%. Its only detraction was a rising non-performing loan ratio of 16%. As for Enterprise Group, its property and casualty insurance subsidiary had a combined ratio of 81, signifying solid underwriting profits even as its life fund grew in size by 47% to \$63 million. Return on average equity was 31% and return on average assets was 12%. Better still, according to an independent actuary's certification, despite incurring its first underwriting loss in years, 75% of Enterprise's life fund liabilities are unrecognized and delayed profits. In fact, only 26% of its life subsidiary's \$34 million of "embedded value earnings" (a metric reported by European and South African life companies to disclose the net present value of their existing book of business) was recognized and included in Enterprise's 2013 financial results. Ghana is in the throes of a bout of budgetary profligacy, however, manifest in a budget deficit equal to 11% of its 2013 GDP. The Ghana government has introduced a battery of policies attempting to transfer the profits of its financial sector to itself. Thus, a 17.5% value-added tax on property and casualty insurance premia is to take effect this year. An additional 5% corporate tax, known as the National Fiscal Stabilisation Levy, took effect from the middle of 2013. Despite these attempts to crimp the profitability of Ghana's financial sector, we believe that the profits and cash flows of financial companies like Standard Chartered and Enterprise will continue to grow in US Dollars.

Another country burdened with a weakening currency is Zambia. Zambia's primary export is copper, a base metal declining in price as Chinese thirst for copper slackens. The Fund's Zambian line of Shoprite shares declined by 9.8% solely as a result of the weakening Zambian kwacha. In addition, AOF's holdings in Zimbabwe in the property, agriculture, and insurance industries declined by 12% in the quarter. Once again, rising interest rates in Zimbabwe imply acute macro-economic stresses. A liquidity squeeze is in full force in Zimbabwe and signs of deflation are emerging. AOF's Zimbabwean property portfolio has an enterprise value which we estimate approximates 50% of its replacement value.

Portfolio Appraisal Value: As of March 31st, the Manager's appraisal of the economic value of the portfolio was \$1.48. The market price of \$1.32 at March 31st represents a 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 3.6%, a P/E ratio of 15.1X, a return on assets of 8.1% and a return on equity of 13.8%. We are excited by these attractive valuation metrics and remain optimistic about AOF's prospects.

C Share Issue: Subsequent to the quarter end, AOF closed a share placing which raised \$29.2 million in the form of C shares (listed on the SFM under the ticker "AOF LN"). This new capital will be invested separately. The C shares will be converted into ordinary AOF shares at a future date. We are excited about this development and will provide details in our next report. The placing agreement and related documents can be found on our website.

Fund Details

<i>Bloomberg:</i>	AOF LN	<i>Portfolio</i>	Francis Daniels
<i>Reuters:</i>	AOF.L	<i>Managers:</i>	Robert Knapp
<i>Website:</i>	www.africaopportunityfund.com		
<i>Listing:</i>	AIM / London Stock Exchange	<i>Investment</i>	
<i>Structure:</i>	Closed-end	<i>Manager:</i>	Africa Opportunity Partners Ltd.
		<i>Email Address:</i>	funds@lcf.co.uk
<i>ISIN:</i>	KYG012921048	<i>Broker:</i>	LCF Edmond de Rothschild Securities
	Euroclear/Clearstream		Tel: +44 20 7845 5960
			Fax: +44 20 7845 5961
			www.countryfunds.co.uk
<i>Inception:</i>	26 July 2007		
<i>Domicile:</i>	Cayman Islands	<i>Auditor:</i>	Ernst & Young

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