Africa Opportunity Fund Ltd – Ordinary Shares

31 March 2015

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: LSE Specialist Funds Market.

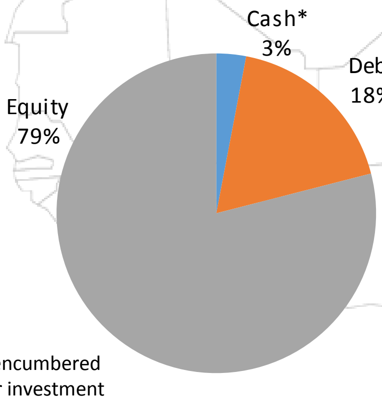
Dividend Policy: An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses), commencing Q1 2015.

Fund Performance (as of 31 March 2015) – Ordinary Shares

NAV per share:	$0.915	Total Net Assets:	$39.0 mm
Share price as at 31 Mar 15:	$0.85	Market Capitalisation:	$36.2 mm
Premium/Discount to NAV:	-7.1%	Shares outstanding:	42.6 mm

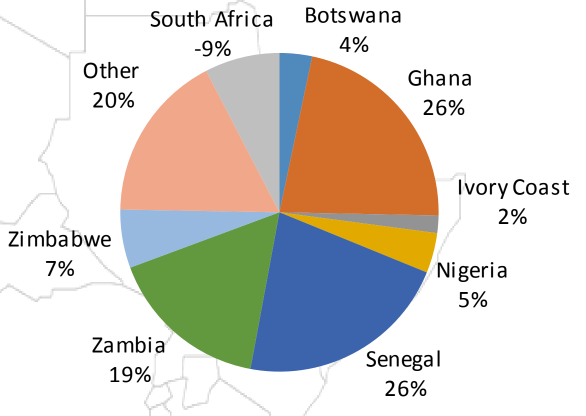
US$ NAV Return % (Incl Dividends)	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**FY**
2015	-5.2%	-1.8%	-2.5%										-9.1%

Strategy



* Represents unencumbered cash available for investment

Geographic Exposure



Top Ten Holdings - Ordinary Shares	**Description**	**% of NAV**
Sonatel	Dominant Senegalese and regional mobile phone provider	17.4%
Enterprise Group Ltd	Ghana insurance company engaged in property & casualty insurance, life assurance, and ownership of commercial and undeveloped property	13.6%
Shoprite Holdings Ltd	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	7.4%
IAMGOLD Corp 6.75% 10/01/20	Gold mining company focused in West Africa, while also holding some South African and Quebec development & exploration projects	6.5%
Tanzania Breweries	Brewer and distributor of malt beer	4.9%
Tizir Ltd 9% 2017	1st 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	4.4%
Standard Chartered Bank Ghana	Leading Ghana commercial bank	4.3%
Letshego	Botswana based consumer finance lender focused on government sector employees	3.4%
Massmart Holdings	A distributor and retailer of general merchandise, food and liquor, primarily in southern Africa, but also in East and West Africa	-3.1%
Pallinghurst Resources Ltd	Develop and executes a number of investment opportunities in the global natural resources sector during the Investment Term which is 10 years	2.9%
TOTAL		*61.7%*

Africa Opportunity Fund Ltd – C-Shares

31 March 2015

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.

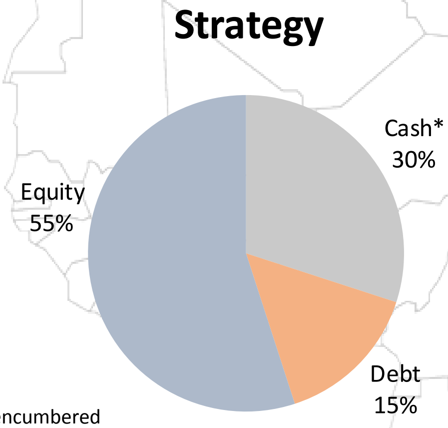
Listing: LSE Specialist Funds Market.

Dividend Policy: An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses), commencing Q1 2015.

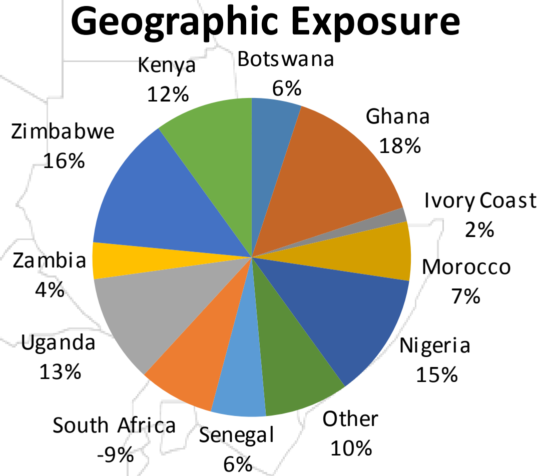
Fund Performance (as of 31 March 2015) – C-Shares

NAV per share:	$0.877	Total Net Assets:	$25.6 mm
Share price as at 31 Mar 15:	$0.96	Market Capitalisation:	$28.0 mm
Premium/Discount to NAV:	9.5%	Shares outstanding:	29.2 mm

US$ NAV Return % (Incl Dividends)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2015	-2.5%	-0.7%	-0.7%										-3.8%



* Represents unencumbered cash available for investment



Top Ten Holdings – C-Shares	**Description**	**% of NAV**
Stanbic Bank Uganda Ltd	Bank offering a wide variety of products and services including merchant banking, stockbrokerage services and financial advisory	8.6%
Kenya Power & Lighting Ltd	Engages in the distribution and sale of electricity in Kenya from the Bulk Supply Companies and from the Company's own generating stations.	7.8%
Continental Reinsurance Plc	Nigerian reinsurance company which offers fire, marine & aviation, bond, auto, engineering, general accident and life reinsurance services	7.5%
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%
Mashonaland Holdings Ltd	Conglomerate split in four divisions: construction, property development, manufacturing and trading	6.9%
African Bank Investments Ltd. 5% 2018	South African consumer finance company in restructuring	4.7%
Enterprise Group Ltd	Ghana insurance company engaged in property & casualty insurance, life assurance, and ownership of commercial and undeveloped property	4.6%
Tizir Ltd 9% 2017	1st 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	4.4%
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	4.0%
Letshego	Botswana based consumer finance lender focused on government sector employees	4.0%
TOTAL		*45.1%*

Manager's Commentary

Market Conditions

The Africa Opportunity Fund ("AOF") started 2015 with a weak Q1. The NAV of AOF's ordinary shares (listed on the SFM under the ticker "AOF LN") fell 9% from its December 2014 position, closing at $0.92. As a reference, in US dollar terms in Q1 the S&P rose 1%, Brazil fell by 15%, Russia rose 12%, India rose 3%, and China rose 16%. In Africa, South Africa rose 1%, Egypt fell 7%, Kenya rose 6%, and Nigeria fell 15%.

Ordinary Share Portfolio Highlights

AOF's Q1 performance was grounded in two primary causes: the depreciation of both the Cedi and the Zambian Kwacha against the US Dollar; and weakening profits and revenues of commodity producers and their suppliers. The Cedi declined by 15% against the US Dollar and the Zambian Kwacha depreciated by 16% against the US Dollar. 20% of AOF's December 2014 NAV was denominated in Cedis, therefore, the Cedi's depreciation alone reduced AOF's NAV by 3 cents. The comparable currency related effect from the Zambian kwacha was an additional 3 cents per share. Both Ghana and Zambia have checked into the recovery ward of the International Monetary Fund. Unlike the Euro linked African currencies, for which AOF is able to hedge at reasonable cost, investing in Cedi denominated and Kwacha denominated securities must be restricted to companies with business models that earn actual US Dollars or have a decent chance of maintaining or increasing their local currency profits, after translation into US Dollars. Nevertheless, we believe that the AOF portfolio continues to hold several undervalued companies of good quality. The macro-economic storm of depreciating currencies, higher interest rates, and weakening commodity prices suppress their valuations. But, over time, their superior financial traits will become manifest in AOF's NAV. The remainder of this newsletter is devoted to comments about some of these companies.

Enterprise Group of Ghana is the first company we discuss. It's US Dollar market capitalization declined by 20% to $56 million during Q1. It trades on a P/E ratio of 5.6x and a P/B ratio of 1.2x. It is instructive to compare its financial and operational results since its 2012 financial year, a period in which the Cedi has depreciated by 49% against the US Dollar, with half of that depreciation occurring in 2014. Enterprise's 2013 net profits of $15.1 million declined 18% to $12.4 million in 2014, but was still up on the $10.5 million net profits of 2012; insurance revenues fell from $76.3 million in 2013 to $66.5 million, but was higher still than the $60.4 million of 2012. Gross cash generated from operations attributable to shareholders declined 8% from $18.3 million in 2013 to our 2014 estimate of $16.8 million, but was 76% higher than the $9.6 million of 2012. Its book value per share rose 21% from $0.35 in 2012 to $0.37 in 2013 and $0.42 in 2014. Enterprise's return on average equity was 24% in 2014, down from 32% in 2013 and approximate to the 25% of 2012. However, return on average assets was 13% in 2014, down from 15% in both 2013 and 2012. A double digit fall of both insurance revenues and net profits leaves no doubt that Enterprise had a tough 2014. Nevertheless, the signal virtue of its funding model - a 2014 cost of float (funds it borrows from its insurance counterparties) of 3.5% in US Dollars, which was used to earn an 18.4% return on investment securities - gave it a net spread of 15% that, despite the weakening Cedi, enabled it to generate stable levels of investible cash and high returns on capital. Enterprise's relative undervaluation can be sensed from a comparison with some of its Kenyan peers. Jubilee Holdings, Pan Africa Insurance Holdings, and British-American Investment Company, three insurance companies listed on the Nairobi Stock Exchange, have an aggregate enterprise value of $1 billion. Their insurance revenues in 2014 were $350 million, with related net profits of $75 million. Their return on equity was in Enterprise's mid-20s range. Net profits that were 6x those of Enterprise, from revenues that were 5.3x Enterprise's revenues, justified a combined enterprise value that was 19x the market capitalization of Enterprise. Even if a pattern of rising profits explained the general valuation levels of Kenyan insurance companies, it cannot explain how Pan-African Insurance Holdings juxtaposes lower revenues and profits than those of Enterprise with a valuation that is more than twice Enterprise's valuation. Self-evidently, the relatively stable Kenyan shilling, the superior financial health of Kenya's government and the low real interest rate regime of Kenya compared to the collapsing Cedi, dismal finances of Ghana's government and high Ghanaian real interest rates are major sources for the higher valuations of Kenyan insurance companies. Furthermore, unlike some of its Kenyan peers, Enterprise is a tiny company of a size that prevents many investors from even looking at it. In sum, Enterprise is smaller and, thus, superficially riskier than its Kenyan peers, but dramatically cheaper. We hope to benefit from our patient wait for the eventual market rerating of Enterprise.

The Zambian kwacha loss was caused by the flat prices of Shoprite and Copperbelt translating into lower US Dollar prices. Shoprite's share price in Zambia suffers from the overhang of litigation. The 32% discount to the JSE price at which it traded at the end of 2014 had widened to 39% by the end of Q1. If the 32% discount had been maintained, implying an increase in Shoprite's Kwacha price from 63 Kwachas to 69 Kwachas, it would have added 2 cents to AOF's March NAV . If Shoprite's Zambian price had risen to 103 kwachas to equal Shoprite's JSE price, that price rise would have added 8 cents to AOF's NAV. Dissolving that litigation cloud is crucial to closing the gap between AOF's NAV and the underlying value of AOF's portfolio. AOF continued their discussions about the terms of an arbitration hearing in South Africa during Q3. Simultaneously, Shoprite filed amended statement of claims in Zambia to challenge AOF's title to 438,743 out of its 679,145 Shoprite shares held in Zambia, down from the 543,743 shares disputed in 2013. We remain confident that our right to our Shoprite shares will be vindicated. The end of the litigation should lead to a rise in the Zambian kwacha share price of Shoprite.

AOF's portfolio of commodity producers and suppliers (extracting gemstones, gold, manganese, mineral sands, oil and gas, platinum, rubber and palm oil, and servicing the oil industry) accounted for 25% of its December 2014 NAV. That portfolio suffered losses equal to 3 cents per share. A modest rise in AOF's gold securities was offset by a diminution in the value of AOF's oil and gas holdings by 2 cents, and a decline in the value of other commodity holdings by 1 cent. The securities of Anglogold and Iamgold appreciated in Q1 by 5%. Iamgold's bond recovered from 75 to 83, as it added the sale of its Diavik diamond royalty for $53 million to the proceeds of $500 million from its Niobec mine sale received in Q1. Iamgold has $650 million in gross debt and net debt of $100 million. Yet, its market capitalization has declined 20% since the beginning of 2015, as Iamgold has been cited in news reports as an acquirer of gold mines. Clearly, the market takes a dim view of management's plans to spend its cash on new acquisitions instead of retiring debt and saving $37 million in annual interest expense. Still, Iamgold's conversion of its non-gold assets into cash enhances the quality of its bonds. The simple lesson embedded in AOF's commodity holdings is that a lightly levered balance sheet of a low cost commodity producer is a sine qua non for surviving sudden and violent turns in commodity cycles with minimal damage to valuation.

AOF closed its paired Naspers/Tencents trade in Q1. AOF bought shares of Naspers and sold its proportionate indirect equity interest in Tencent. The thesis of this paired trade was that Nasper's Africa pay-tv business, a reliable source of high returns and cash, had been overshadowed by the rising amounts of capital Naspers was investing in its new Internet ventures. In fact, the Africa pay-tv business had a negative enterprise value, if purchased through Naspers, at the very time that the South African pay-tv subsidiary was sporting a multi-billion Rand market capitalization in over-the-counter trading in South Africa. By shorting Tencent, AOF accentuated its exposure to the African pay-tv business. AOF could have owned only Naspers shares and elected not to short Tencents shares. It would have earned more profits, but at the cost of being fully exposed to Tencent's vagaries. By shorting Tencent, AOF's risk was lower than a straight long position in Naspers. AOF earned handsome unrealized profits on this trade by the end of 2014. We saw an opportunity to generate even more profits in Q1, so we closed the trade. Average capital committed to this trade, by its end, of $6.8 million had been 15.8% of AOF's December NAV. AOF's final tally: a gross return on capital of 13.6%, a 28x return on its initial net equity exposure, an overall contribution of 2 cents to AOF's NAV, of which 1/3rd was generated in Q1. In sum, a pleasant end to an opportunistic trade.

C Share Portfolio Highlights

The NAV of AOF's C share declined 3.8% in Q1. The C share's portfolio has exposure to 27 issuers. Kenya Power & Lighting, constituting 7.8% of the C Share's NAV, was the largest new investment of this quarter. It marks the first entry of AOF into Kenya. Kenya Power is an electric distribution company that purchases electricity in bulk for transmission and distribution to households and businesses throughout Kenya. One service in acutely short supply throughout Africa is electricity. Intriguingly, it is a sector which is able to link the price of its products to US Dollars because Africa needs to import huge amounts of equipment and plant to expand dramatically its energy supply industry. There is no choice in the matter - the days of subsidy and low electricity tariffs for all are severely numbered. Since there are several years of high investment to come for the electricity generation and distribution industries, dividends are guaranteed to be on the low side-a negative for markets which place great reliance on dividend yields. Kenya Power's vital statistics are: a P/E ratio of 4.4x, a P/B ratio of 0.6x, a dividend yield of 2.8%, a return on equity of 14%, a return on assets of 4%, and a debt to equity ratio of 1.3x. Kenya Power has plenty of scope to improve its financial performances. A cursory look at Umeme, an electricity distribution company listed on the Uganda Stock Exchange, enjoying a return on equity of 27% and a return on assets of 9%, with a P/E ratio of 9.4x, a P/B ratio of 2.8x, and a dividend yield of 6% hints at the scale of possible improvements at Kenya Power.

Electricity consumption tends to grow with a country's GDP growth. Throw in a GDP growth rate hovering between 5% and 6%, as is the case of Kenya, booming commercial real estate construction visible to any visitor to Nairobi, expansion of access to electricity in Kenya, rising technological capacity to reduce collection losses, and reducing Kenya's vulnerability to drought because of its heavy reliance on hydroelectricity via the increasing use of geothermal electricity sources in Kenya, and the investment potential of Kenya Power becomes evident. Over time, the C share's exposure to companies invested in Africa's infrastructural development - physical and human - will be a key theme.

The C shares increased their investment in Zimbabwean commercial real estate during Q1. Mashonaland Holdings and Pearl Properties constitute 9.8% of the C Share's NAV. Mashonaland Holdings has no debt, market capitalization of $44.6 million, cash of $4 million, and gross lettable area of 105,700 square meters in office and industrial space with a fair value of $99 million. Monthly average rent per square meter is $5. Pearl Properties has an enterprise value of $38 million, of which $5 million is debt and $35 million is market capitalization, and $2 million is cash. Pearl's gross lettable area is 121,000 square meters in office, retail, and industrial space with a fair value of $120 million. Its monthly average rent per square meter is $5 . You would be forgiven for thinking that the tenants of these companies are small transient businesses. On the contrary, their tenants include companies like Barclays Bank, PWC, Huawei, the IMF, and various agencies of the United Nations. Zimbabwean commercial property has a few problems: deflation, poor liquidity, 10-20 year Dollar-denominated mortgages with a 15-18% rate, high vacancies, and low rents. Prime office monthly rent of $10 per square meter in Harare versus $22 per square meter in Lusaka. Or industrial monthly rent of $4 per square meter, on a 13% yield, in Harare compared with Gaborone rent of $7 per square meter on a 10% yield. Both Zambia and Botswana are neighbors of Zimbabwe. Mash and Pearl have operating cash flow yields, respectively, of 4% and 6%. The medium-term goal is to enjoy the capital appreciation attendant on Zimbabwean rents rising to regional levels. The C shares have bought good property stock in Zimbabwe's capital city at 33% to 45% of replacement value.

The largest profits in Q1 for AOF's C share portfolio were garnered in its Shoprite, Massmart, and Pick n'Pay short positions. In aggregate, they generated profits of 3 cents per C share. These are strong retail companies generating most of their revenues and profits from South Africa. Consensus estimates are that nominal sales growth over the next 3 years will compound at a rate of 13% for Shoprite to 8% for Pick n'Pay. Consensus estimates for compounded earnings per share growth over the same period range from 27% for Pick n'Pay to 16% for Massmart. South Africa's economy is growing at a 2% rate. Disposable income growth is tepid. These companies trade on historical multiples above 20x and forward 2017 and 2018 respective average P/E multiples of 16x and 14x. Compound growth rates less than forecast, a scenario easy to imagine, can derail these estimates leading to downrating of these companies.

Continental Reinsurance declined 19% (or 2 cents per C share) in Q1 as the Nigeria Allshare Index lost 15% in US Dollars. As we warned in our last newsletter, the bonds of Seatrucks suffered more mark-to-market losses, inflicting a loss of 1 cent per C share. Despite the losses suffered by the C share holders in Nigeria and the manifest period of austerity ahead for that country, there are bargains on offer on the Lagos Stock Exchange.

Portfolio Appraisal Value

As of March 31 the Manager's appraisal of the intrinsic economic value of the Ordinary Share portfolio was $1.10 per share. The market price of $0.85 at quarter end represents a 23% discount. The Manager's appraisal of the intrinsic economic value of the C Share portfolio was $1.11 per share. The market price of $0.96 at quarter end represents a 14% discount. Note the Appraisal Values are intended to provide a measure of the Manager's long-term view of the attractiveness of AOF's ordinary share 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 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. AOF's ordinary share portfolio possesses undervalued companies. Its top 10 holdings offer a weighted average dividend yield of 7.7%, a rolling P/E ratio of 9.8, a return on assets of 11%, and a return on equity of 20%. The corresponding statistics for AOF's C share portfolio are a dividend yield of 6.4%, a P/E ratio of 7.7, a return on assets of 3.4%, and a return on equity of 6.6%. As African markets adjust to the down draft of weak commodity prices and volatility stalks those markets, we are finding excellent opportunities. Yes, caution is necessary. No doubt, there will be a few more bumps and bruises. But, we are also finding superb bargains of excellent companies and mispriced securities. It is a privilege to have investible funds. We intend to exercise that privilege with prudent confidence.

Africa Opportunity Fund Ltd

31 March 2015

Fund Details (Ordinary Shares)	
Bloomberg:	AOF LN
Reuters:	AOF.L
Website:	www.africaopportunityfund.com
Listing:	SFM / London Stock Exchange
Structure:	Closed-end
ISIN:	KYG012921048 Euroclear/Clearstream
Inception:	26 July 2007
Domicile:	Cayman Islands

Fund Details (C-Shares)	
Bloomberg:	AOFC LN
Reuters:	AOFc.L
Website:	www.africaopportunityfund.com
Listing:	SFM / London Stock Exchange
Structure:	Closed-end
ISIN:	KYG012921121 Euroclear/Clearstream
Inception:	17 April 2014
Domicile:	Cayman Islands

Portfolio Managers: Francis Daniels
Robert Knapp

Investment Manager: Africa Opportunity Partners Ltd.

Email Address: funds@lcfr.co.uk

Broker: Securities LCF Edmond de Rothschild

Tel: +44 20 7845 5960
Fax: +44 20 7845 5961
www.countryfunds.co.uk

Auditor: Ernst & Young

Important Information

This document, and the material contained herein, has been prepared for the purpose of providing general information about, and an overview of, Africa Opportunity Fund Limited (the "**Company**") and its operations. It is not meant to be a complete review of all matters concerning the Company. This document is not intended as an offer or solicitation for the subscription, purchase or sale of securities in the Company.

The material in this document is not intended to provide, and should not be relied on for accounting, legal or tax advice or investment recommendations or decisions. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in the Company and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances.

Whilst the Company and Africa Opportunity Partners Limited have taken all reasonable care to ensure the information and facts contained in this document are accurate and up-to-date, they do not nor do any of their respective directors, officers, partners, employees, agents or advisers make any undertaking, representation, warranty or other assurance, express or implied, as to the accuracy or completeness of the information or opinions contained in this document. No responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligent or otherwise.

No one can assure future results and achievements. No undue reliance should be placed on forward-looking statements. The Company and Africa Opportunity Partners disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise.

No warranty is given, in whole or in part, regarding the performance of the Company. There is no guarantee that investment objectives of the Company will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.