

**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.

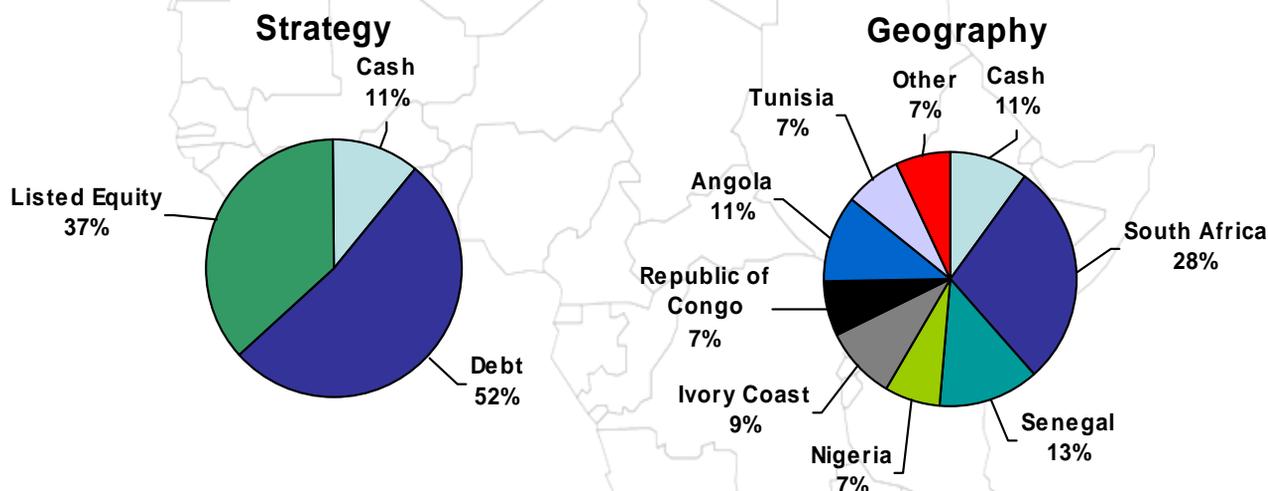
**Listing:** AOF is traded on the AIM market of the London Stock Exchange.

**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 2009)

NAV per share:	\$0.738	Total Net Assets:	\$31.5 mm
Share price as at 31 Dec 09:	\$0.57	Market Capitalisation:	\$24.3 mm
Premium/Discount to NAV:	-22.8%	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
2009	-2.1%	-10.4%	16.7%	6.2%	3.7%	10.0%	5.0%	2.4%	8.0%	1.5%	1.6%	0.1%	48.2%



Top Ten Holdings	Description	% of NAV
PA Resources Bonds	Floating rate bond with first lien on the Didon oil field in Tunisia and fixed rate bond financing Azurite Republic of Congo field with 2 <sup>nd</sup> lien on Didon field	14.6%
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	13.3%
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	12.1%
African Bank Investments Limited	South African consumer finance and microlending company	9.5%
Marine Subsea (Cyprus) 9% 09/19	Restructured African Offshore bonds paying 9% interest on oilfield service and construction vessels operating in Angola	9.1%
Tullow Oil PLC	Oil and gas exploration and production company with a focus on West Africa and Uganda	-7.4%
Nigerian Oil Warrants	Payment adjustment warrants issued by Central Bank of Nigeria	7.1%
Gold Fields Ltd	Fourth largest world gold producer mining primarily in South Africa	4.7%
Ivory Coast Gov't 10% 28/01/11	Ivory Coast securitized domestic bonds denominated in Euros	4.1%
Polo Resources	Holding company with uranium interests in Namibia, South Africa, and Botswana	3.0%
<b>TOTAL</b>		<b>70.1%</b>

## Manager's Comment

**Market Conditions:** 2009 finished with a generally upbeat Q4 for AOF. The NAV rose 3.2% from where it ended in September, closing at \$0.74 per share as of 31 December. Overall, the NAV rose 48% in 2009, including dividends. As a reference, in USD terms in 2009 the S&P 500 rose 26%, South Africa rose 68%, Egypt rose 35%, but Kenya declined 5%, and Nigeria declined 38%.

**Portfolio Highlights:** During the quarter Marine Subsea successfully restructured its debt, converting its two secured floating rate bonds due to mature in 2012 into a single 9% fixed rate bond with a 2019 maturity. Marine Subsea also restructured its convertible bond, becoming a subordinated 9% fixed rate bond also with a 2019 maturity. The restructuring was based upon the commitment by Standard Bank of credit facilities totaling \$224 million to fund the completion of Marine Subsea's construction program. In December Marine Subsea took delivery of its first well intervention vessel, the Sarah, which is now working under contract with the Angola state oil company Sonangol. We are encouraged by Standard Bank's display of support for Marine Subsea and view this restructuring as an important vote of confidence for Angola by a major African lender, and an important sign that funding for capital projects is reappearing.

In other portfolio developments, Cote d'Ivoire defaulted on its 2011 notes. The Manager has joined a noteholders committee that is negotiating a restructuring of those notes. Diamondcorp successfully raised capital, made its interest payments, and announced promising drilling results in Botswana.

**Portfolio Appraisal Value:** As of 31<sup>st</sup> December, the Manager's appraisal of the intrinsic economic value of the portfolio was \$0.89 per share. The market price of \$0.57 as of year end, represents a 36% 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.

**Tender Offer Pool:** For those investors that tendered their shares to the Company in February of 2009, as of 31<sup>st</sup> December the unaudited estimated NAV per share of the tender offer pool is estimated to be approximately \$0.07. There can be no assurance that the future realized value of the few remaining investments in the Tender Offer Pool will equal or exceed the current unrealized value of those investments.

**Strategy:** We remain focused on investing, at historically low valuations, in companies with minimal debt that sell goods and services in short supply in Africa. A considerable part of our search for those companies in 2010 will take place both in the consumer and financial sectors and in the African markets that have failed to participate in the current rally in emerging markets.

## 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

*Broker:* LCF Edmond de Rothschild Securities  
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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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