

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: Specialist Fund Segment of the London Stock Exchange's Main Market

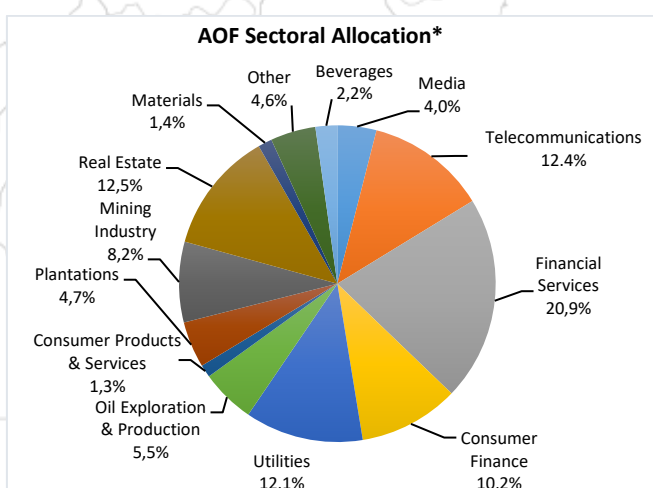
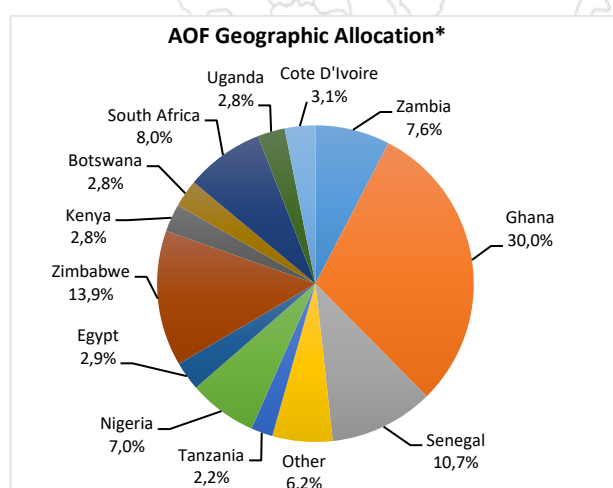
Dividend Policy: An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses).

Fund Performance (as at 31 December 2017) – Ordinary Shares

NAV per share: \$0.925
Share price as at 30 Sept 17: \$0.730
Premium/Discount to NAV: -21%

Total Net Assets: \$69.6 mm
Market Capitalization: \$54.6 mm
Shares outstanding: 74.8 mm

US\$ NAV Return %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2017	-1.0%	-0.5%	3.0%	1.8%	2.1%	-0.6%	3.5%	11.3%	-2.6%	-0.5%	1.3%	-1.4%	16.9%
2016	-3.2%	2.5%	1.9%	4.0%	-2.0%	-0.3%	-1.2%	0.4%	0.7%	-0.3%	-2.1%	-9.6%	-9.5%
2015	-5.2%	-1.8%	-2.4%	2.3%	1.0%	-2.5%	4.2%	-4.5%	-3.3%	0.5%	2.8%	-2.3%	-11.4%
2014	2.3%	3.1%	-4.0%	-3.2%	-8.0%	0.8%	0.6%	-2.2%	-2.6%	-4.0%	-2.1%	0.9%	-17.3%
2013	4.9%	-0.8%	7.8%	5.6%	-1.6%	0.4%	3.2%	1.7%	2.8%	-0.3%	1.5%	-0.1%	27.7%
2012	1.8%	0.4%	-0.3%	0.8%	-6.1%	0.8%	-0.4%	-1.9%	1.1%	-2.4%	4.6%	6.4%	4.4%
2011	-1.4%	-1.1%	2.9%	5.5%	1.5%	-0.9%	4.2%	-2.5%	-9.0%	3.6%	-2.8%	2.6%	1.6%
2010	5.6%	1.2%	3.1%	4.7%	-8.4%	-6.7%	10.9%	0.3%	8.2%	7.5%	-3.5%	3.6%	27.1%
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%
2008	-0.7%	1.9%	1.4%	1.0%	0.1%	-0.6%	-3.8%	-8.2%	-9.8%	-23.8%	-10.2%	-4.1%	-42.5%



*Geographic and Sectoral exposure as a percentage of gross invested assets.
Holdings as a % of NAV: 88% Equity, 7% Debt, 5% Unencumbered Cash

Top Ten Holdings - AOF	Description	% of NAV
Enterprise Group Ltd	Ghanaian property & casualty insurance and life assurance company	17.9%
Sonatel	Dominant Senegalese and regional integrated telecommunication operator	10.2%
Copperbelt Energy Corporation Plc	Leading electricity distributor in the Zambian Copperbelt	6.9%
First Mutual Properties	Zimbabwean real estate company	6.6%
Mashonaland Holdings	Zimbabwean real estate company	5.6%
Anglogold Ashanti	Gold mining company operating in 11 countries	5.1%
Standard Chartered Bank	Leading commercial bank in Ghana	3.8%
Naspers	A global internet and entertainment group and a leading technology investor	3.8%
Continental Reinsurance	Leading Pan-African reinsurer offering non-life and life reinsurance products	3.4%
Tullow Oil 6.25% 04/15/2022	Leading independent oil exploration and production company	3.0%
Total		66.3%

Manager's Commentary**Market Conditions**

The Africa Opportunity Fund ("AOF" or the "Company" or the "Fund") ordinary share NAV declined by 0.5% in Q4. As a reference, during the quarter in USD the S&P rose 7%, Brazil fell 2%, Russia rose 3%, India rose 12%, and China rose 7%. In Africa, South Africa rose 17%, Egypt rose 11%, Kenya rose 6%, and Nigeria rose 8%. Three Africa-focused exchange traded funds – the Lyxor ETF (PAF FP), the DBX MSCI Africa Top 50 (XMAF LN), and Van Eck Africa Index (AFK US), rose, respectively, 12%, 12%, and 9%.

The Fund turned in a respectable performance in 2017. In keeping with trends in other emerging and frontier regions, the larger and more liquid African markets attracted the lion's share of portfolio investment directed into Africa. Countries like Egypt did exceptionally well. Past experience seems to be repeating, with the more liquid companies outperforming in this first stage of nascent recovery. But the less liquid will get their chance to shine.

Comparative Returns

Index/Security	1 Year	3 Year	5 Year
AOF NAV	16.9%	-6.0%	-0.5%
Lyxor Africa ETF	26.3%	13.7%	-10.1%
DBX MSCI Africa Top 50	25.6%	1.8%	1.6%
VanEck Vectors Africa	28.2%	2.7%	-10.1%
Brazil Bovespa	24.7%	22.4%	-22.5%
Russia Micex	5.7%	67.3%	-5.7%
India Sensex	37.8%	27.8%	61.4%
China CSI 300	32.2%	15.2%	76.3%
US S&P 500	21.6%	37.8%	106.5%

Ordinary Shares Portfolio Highlights

Changes made in the AOF portfolio during the quarter included selling Tizir bonds and Lydec shares, receiving the shares of Copperbelt Africa distributed in 2016 by Copperbelt Energy, buying Naspers shares and Steinhoff bonds, and increasing AngloGold and Kenya Power investments.

Enterprise Group's USD share price fell 12% in Q4, subtracting 2.2 cents from AOF's NAV per share and lagging a healthy 8% rise, in US Dollars, of the Ghana Stock Exchange Composite Index. Its 2017 total return was 44%. Contrary to our expectations, the rights offering circular was not released in Q4. We believe that the rights offering will occur in Q1 2018. Enterprise's closing market capitalization of \$109 million remains the highest among the listed insurance companies on West African exchanges. Standard Chartered Bank's shares enjoyed a strong quarter, as they appreciated by 25% in US Dollars. The annual total return in Dollars of its shares was a pleasing 103%. Despite a rise in its quarterly cost to income ratio from 25% in Q3 2016 to 39% in Q3 2017, its net income rose 79%, year-on-year. Standard Chartered has been writing back provisions made in past years, as Ghana's government tackles the bad debt problems in the power sector. Its capital adequacy ratio of 28% is surprisingly strong when placed alongside a 45% non-performing loan ratio and a 37% loan to deposit ratio. Ghana's central bank has more than tripled the minimum capital requirements to \$90 million by December 2018. Standard Chartered satisfies already those new capital rules.

Sonatel's share price rose 1% in Dollars in Q4 - solely because of the CFA Franc's appreciation. Its annual total return was 12%. As Sonatel remains in the early stages of expanding its value-added services like mobile money, it will take a few years for its net profits and margins to show the powerful results displayed by companies like Safaricom. Its major challenge will be lowering the cost of data to locally affordable levels without compromising on margins. Upon completing its transition from a voice-driven company to a data-driven telecom operator, we expect it to combine its historical pattern of strong profits with more rapid growth than has been evident in its recent past.

AOF added 1.8 cents per share to its NAV upon receipt of its shares of CEC Africa Investments Limited ("CEC Africa") in November. Copperbelt declared a one-for-one dividend in specie last year. CEC Africa holds Copperbelt's investments outside Zambia. CEC Africa's operating investments are in Nigeria, with development projects in Sierra Leone and Namibia. It was separated from Copperbelt so that the high quality earnings of its Zambian operations would cease to be overshadowed by gargantuan losses incurred in Nigeria. Combining the value of CEC Africa with that of Copperbelt

Energy in 2017 added 4.9 cents per share and resulted in a total return of 128%. Copperbelt's own share price fell 3% in Q4. Nevertheless, in our opinion, it continues to be deeply undervalued.

AOF's Zimbabwean property holdings, in aggregate, rose 13% in Q4 and 72% in 2017. Sharp as this quarterly rise was, they give scant hint of the historic events which unfolded in Zimbabwe. Zimbabwe's first and seemingly eternal president, President Robert Gabriel Mugabe - resigned from his office unexpectedly in late November. A military intervention by the Zimbabwean army, resembling but distinct from an army led coup d'état, precipitated his withdrawal from public life. His departure, like that of other coerced departures (the late Dr. Kwame Nkrumah of Ghana in 1966 and King James II of England in 1688), was greeted with jubilation. The monetary panic, mentioned in the last newsletter, which existed up till his departure, subsided in intensity. The truest and most sensitive thermometer of this panic was the share price behavior of the most liquid Zimbabwean blue chips during Q4. An ordinary share of Old Mutual PLC, for example, listed on several exchanges, lost 44% in Dollars during Q4. It traded at a price of £10.9 per share on November 2 in Harare while trading in London for £1.9. But, its Harare share price slumped to £3.5 after his resignation. Zimbabwe's former president's departure signified a possible suspension of monetary and economic policies that have decimated the wealth of Zimbabweans. We hope that better days lie ahead for Zimbabwe.

The short book and currency hedges losses increased by 1.2 cents per share in Q4 bringing the total sum of the short book and currency losses to 3.4 cents per share in 2017. The appreciation of the Euro contributed to losses in 2017.

Portfolio Appraisal Value

As of December 31, the Manager's appraisal of the intrinsic economic value of the Ordinary Share portfolio was \$1.1467 per share. The market price of \$0.730 at quarter end represented a 36% discount. Note the Appraisal Values are 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.

Attribution Analysis

We have set forth an attribution analysis for Q4 2017 and FY 2017 at the end of this quarterly newsletter to give readers more data about the underlying sources of the performance of the AOF portfolio.

Strategy

The long-term investment appeal of Africa remains intact. We remain focused on investing in companies that sell goods and services in short supply. 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. As at 31 December 2017, AOF's ordinary share portfolio possessed undervalued companies. AOF's ordinary share portfolio top 9 holdings had a weighted average dividend yield of 3%, a P/E ratio of 15x, a return on assets of 7%, and a return on equity of 15%, (we are excluding CEC Africa which is loss making). As African markets experience rising commodity prices and volatility, we are finding excellent long opportunities. As always, caution is necessary. It is a privilege to have investible funds. We intend to exercise that privilege with prudent confidence.

Analysis of Portfolio returns by Sector and by Geography

Africa Opportunity Fund
Return by Sector
For FY 2017

Return by Sector, % of Securities	AOF
Telecommunications	1.4%
Financial Services	6.3%
Consumer Finance	3.1%
Utilities	6.2%
Oil Exploration & Production	0.9%
Consumer Products & Services	-0.5%
Plantations	0.4%
Mining Industry	2.5%
Real Estate	5.0%
Materials	0.3%
Beverages	0.3%
Other	0.4%
Media	0.1%
	26.4%
Net Working Capital	-9.5%
Return on NAV	16.9%

Africa Opportunity Fund
Return by Geography
For FY 2017

Returns by Geography, % of Securities	AOF
Zambia	5.7%
Ghana	8.5%
Senegal	2.2%
Other	1.0%
Nigeria	1.3%
Cote D'Ivoire	0.7%
Morocco	0.0%
Zimbabwe	6.1%
Egypt	0.5%
Kenya	0.3%
Botswana	-0.1%
Tanzania	0.3%
South Africa	-0.5%
Uganda	0.4%
	26.4%
Net Working Capital	-9.5%
Return on NAV	16.9%

Africa Opportunity Fund
Return by Sector
For Q4 2017

Return by Sector, % of Securities	AOF
Telecommunications	0.1%
Financial Services	-3.1%
Consumer Finance	0.7%
Utilities	1.4%
Oil Exploration & Production	-0.2%
Consumer Products & Services	-0.5%
Plantations	-0.2%
Mining Industry	1.2%
Real Estate	1.0%
Materials	0.1%
Beverages	0.1%
Other	0.0%
Media	0.1%
	0.7%
Net Working Capital	-1.2%
Return on NAV	-0.5%

Africa Opportunity Fund
Return by Geography
For Q4 2017

Returns by Geography, % of Securities	AOF
Zambia	-0.2%
Ghana	-2.3%
Senegal	0.3%
Other	-0.1%
Nigeria	1.8%
Cote D'Ivoire	0.2%
Morocco	0.0%
Zimbabwe	1.6%
Egypt	0.1%
Kenya	-0.3%
Botswana	0.0%
Tanzania	0.1%
South Africa	-0.4%
Uganda	-0.1%
	0.7%
Net Working Capital	-1.2%
Return on NAV	-0.5%

Attribution of Portfolio Returns by Asset Class

AOF Portfolio: Full Year 2017 Return

Asset Class Exposure	Invested Capital	Attribution PnL	12 months Return on Invested Capital	Return Contribution
Long Equities	49,566,001	16,483,530	33.3%	25.3%
Short Equities/Options	-4,836,490	-1,188,547	-24.6%	-1.8%
Bonds	16,878,255	2,088,712	12.4%	3.2%
Arbitrage	557,495	133,543	24.0%	0.2%
Special Situations	2,887,803	-350,000	-12.1%	-0.5%
	65,053,065	17,165,926		26.4%

*For this 12M return, invested capital is as of 01/01/2017 and comprises the market value of securities in AOF portfolio as of 12/31/2016, plus net changes in that securities portfolio during the 12 months.

AOF Portfolio: Q4 Return

Asset Class Exposure	Invested Capital	Attribution PnL	Q4 Return on Invested Capital	Return Contribution
Long Equities	60,738,709	1,333,465	0.0%	1.9%
Short Equities/Options	-2,425,428	-743,315	-30.6%	-1.1%
Bonds	6,504,165	260,758	4.0%	0.4%
Arbitrage	682,904	6,279	0.9%	0.0%
Special Situations	2,887,803	-350,000	-12.1%	-0.5%
	68,388,153	507,187		0.7%

*For this Q4 return, invested capital is as of 10/01/2017 and comprises the market value of securities in the ordinary shares portfolio as of 09/30/2017, plus net changes in that securities portfolio during the fourth quarter of 2017.

Company Details (Ordinary Shares)

Bloomberg: AOF LN
Reuters: AOF.L
Website: www.africaopportunityfund.com
Listing: SFS / London Stock Exchange
Structure: Closed-end
ISIN: KYG012921048
 Euroclear/Clearstream
Inception: 26 July 2007
Domicile: Cayman Islands

Company Details (C-Shares) – cancelled on 23 August 2017

Bloomberg: AOFC LN
Reuters: AOFC.L
Website: www.africaopportunityfund.com
Listing: SFS / London Stock Exchange
Structure: Closed-end
ISIN: KYG012921121
 Euroclear/Clearstream
Inception: 17 April 2014
Cancellation: 23 August 2017
Domicile: Cayman Islands

Portfolio Managers:
Investment Manager:

Francis Daniels
 Robert Knapp
 Africa Opportunity Partners Ltd.

Broker: Liberum Capital Ltd
Auditor: Ernst & Young

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