

**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.

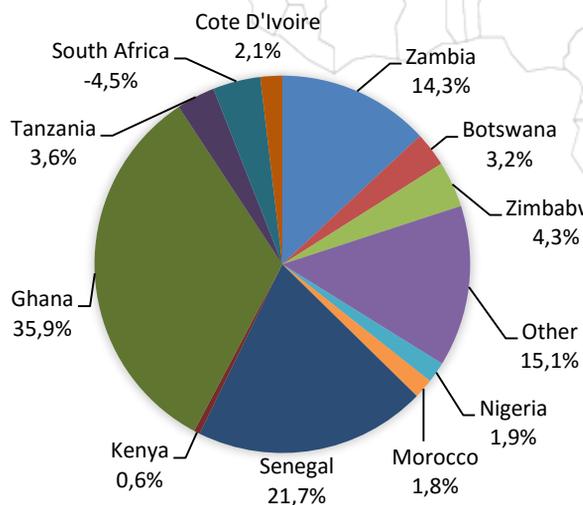
**Dividend Policy:** An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses).

### Fund Performance (as at 30 September 2016) – Ordinary Shares

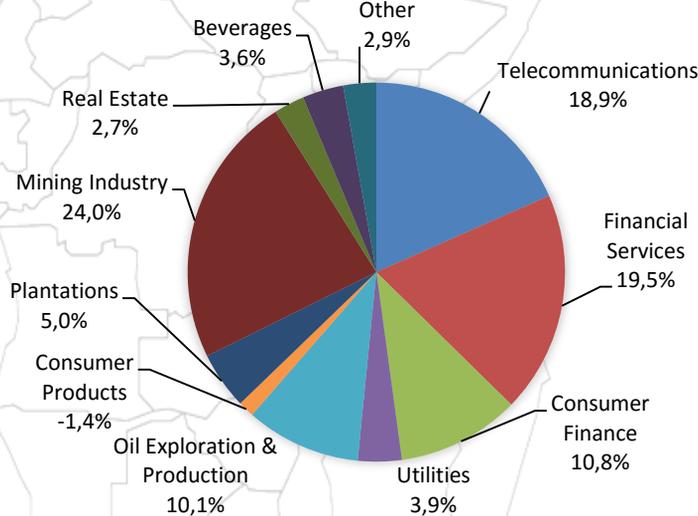
NAV per share:	\$0.896	Total Net Assets:	\$38.2 mm
Share price as at 30 Sept 16:	\$0.643	Market Capitalization:	\$27.4 mm
Premium/Discount to NAV:	-28.2%	Shares outstanding:	42.6 mm

US\$ NAV	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
<b>2016</b>	-3.2%	2.5%	1.9%	4.0%	-2.0%	-0.3%	-1.23%	0.41%	0.70%				<b>2.5%</b>
<b>2015</b>	-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%
<b>2014</b>	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%
<b>2013</b>	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%
<b>2012</b>	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%
<b>2011</b>	-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%
<b>2010</b>	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%
<b>2009</b>	-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%
<b>2008</b>	-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 Exposure Ordinary



### Ordinary Shares Sectorial Exposure



Holdings: 74% Equity, 28% Debt, -2% Unencumbered Cash

Top Ten Holdings - Ordinary Shares	Description	% of NAV
Enterprise	Ghanaian property & casualty insurance and life assurance company	19.7%
Sonatel	Dominant Senegalese and regional integrated telecommunication operator	17.0%
IAM Gold - 6.75% 10/01/20	Gold mining company focused in West Africa	7.8%
Tullow Oil 6.25% 04/15/2022	Leading independent oil exploration and production company	7.6%
Shoprite	Largest South African food retailer operating over 2100 stores in 15 countries	6.8%
Tizir - 9% 09/28/17	1st priority bond backed by Grande Cote mineral sands project in Senegal	4.4%
Anglogold Ashanti	Gold mining company operating in 11 countries	4.2%
Tanzania Breweries	Brewer and distributor of malt beer, other beverages, and spirits	3.7%
Copperbelt	Leading electricity distributor in the Zambian Copperbelt	3.4%
Letshego	Botswana based consumer finance lender focused on government employees	3.3%
<b>Total</b>		<b>77.9%</b>

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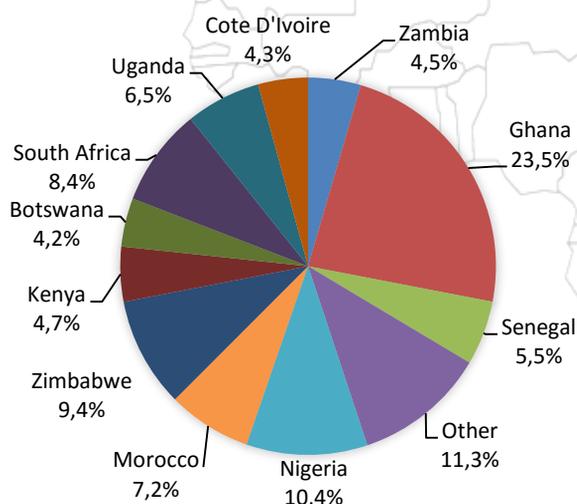
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### Fund Performance (as at 30 September 2016) – C-Shares

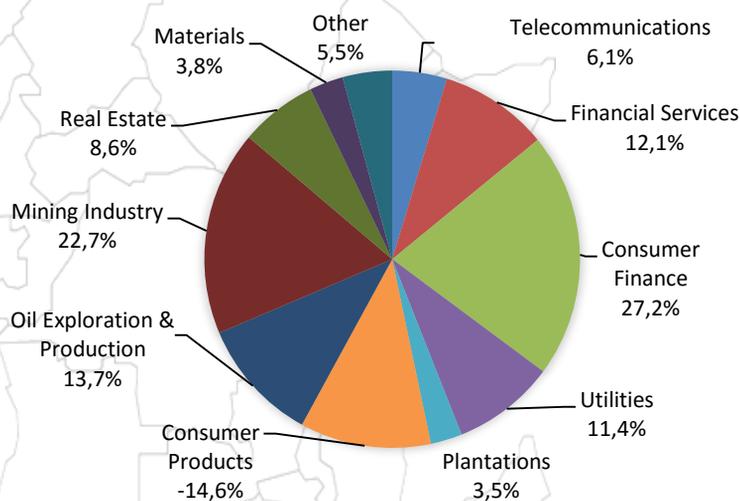
NAV per share:	\$0.795	Total Net Assets:	\$23.2 mm
Share price as at 30 Sept 16:	\$0.610	Market Capitalization:	\$17.8 mm
Premium/Discount to NAV:	-23.3%	Shares outstanding:	29.2 mm

US\$ NAV Total Return %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2016	-5.4%	1.8%	-2.9%	8.9%	0.8%	-2.9%	-2.0%	-1.0%	0.1%				-3.1%
2015	-2.5%	-0.7%	-0.7%	1.6%	1.5%	-4.4%	-1.5%	-3.1%	-1.8%	0.4%	0.1%	0.9%	-10.0%
2014	N/A	N/A	N/A	-2.6%	-0.2%	0.0%	0.0%	-0.8%	-0.5%	-2.0%	-2.4%	-0.5%	-8.8%

### Geographic Exposure C Shares



### C Shares Sectorial Exposure



**Holdings:** 54% Equity, 43% Debt, 3% Unencumbered Cash

Top Ten Holdings - C Shares	Description	% of Nav
Tullow Oil 6.25% 04/15/2022	Leading independent oil exploration and production company	9.3%
Enterprise	Ghanaian property & casualty insurance and life assurance company	7.1%
Anglogold Ashanti	Gold mining company operating in 11 countries	6.9%
Stanbic Uganda	Leading commercial bank in Uganda	6.4%
Continental	Leading Pan-African reinsurer offering non-life and life reinsurance products	6.1%
Mashonaland	Zimbabwean real estate company	5.2%
IAM Gold - 6.75% 10/01/20	Gold mining company focused in West Africa	5.2%
Tizir Ltd 9% 09/28/2017	TiZir Limited is a vertically integrated zircon and titanium business	4.7%
Kenya Power & Light	Distributor and retailer of electricity in Kenya	4.6%
Copperbelt Energy	Leading electricity distributor in the Zambian Copperbelt	4.5%
<b>Total</b>		<b>60.0%</b>

## Manager's Commentary

### Market Conditions

The Africa Opportunity Fund ("AOF" or the "Fund") ordinary share NAV was flat in Q3. In the same period, the share price fell 7% from \$0.693 to \$0.643. As a reference, in US dollar terms, in Q3 the S&P rose 4%, Brazil rose 11%, Russia rose 9%, India rose 5%, and China rose 4%. In Africa, South Africa rose 8%, Egypt rose 10%, Kenya rose 1%, and Nigeria fell 16%. Three Africa-focused exchange traded funds – the Lyxor ETF Pan Africa (PAF FP) listed on the Euronext Paris, VanEck Vectors Africa Index (AFK US) listed on the NYSE, and DBX MSCI Africa Top 50 (XMAF LN) listed on the LSE – rose, respectively, 7%, 3% and 6%.

### Ordinary Share Portfolio Highlights

There was a sharp divergence between the performance of emerging markets (which rallied) and frontier markets (which were flat) in this quarter. As an illustration, MSCI EFM Africa Index, dominated by South Africa, rose 6% this quarter; MSCI EFM Africa (excluding South Africa) Index, rose 5%, while MSCI FM Africa Index rose only 0.3%. The intensifying financial pressures facing both African governments and consumers became more evident in this quarter. Kenya, for example, passed a law imposing price controls on its banks. They are prohibited from both charging their borrowers more than 4% above its central bank headline rate, currently 10.5%, and paying depositors less than 70% of that central bank rate. The major beneficiary should be the Kenyan government, which has proposed an initial 2016-17 budget deficit equalling 9.3% of Kenya's GDP, as banks pivot from private credit extension to holding government securities with yields hovering near the interest rate cap. As economies like Kenya, Senegal and Tanzania, growing their 2016 GDPs at respective rates of 6%, 6.6%, and 7.2%, fund those rates with current account deficits (as a % of GDP) of 6.4%, 8.4%, and 8.8%, circumspection and patience is necessary in selecting investments because large current account deficits have too often been a harbinger of macro-economic accident and anguish, heaping misery on unsuspecting investors. Another example lies in the gap between Egypt's official exchange rate and its parallel market rate, incorporated in the premiums of dual-listed Egyptian shares, that widened by more than 30% during this quarter, as foreign investors had to wait in queue for their dividends and proceeds from sales of Egyptian shares. AOF is one such afflicted investor awaiting dividends declared in August. Nigeria, our final example, moved from being an enthusiastic opponent of devaluation to an unenthusiastic proponent of devaluation, discouraging the required investment inflows to stabilize the Naira while providing only partial succour to the unsatisfied import thirst for of its denizens. The unofficial Naira/Dollar rate hovers around 470 Naira/\$ versus an official rate of 310-315 Naira/\$. Life is bound to worsen for investors in Nigeria as inchoate devaluations, multiple exchange rates, and shortages galore congeal into a recipe for large numbers of delinquent loans. Consequently, we elected to sell the US Dollar denominated debt securities of the Nigerian banks AOF acquired in the 2<sup>nd</sup> quarter. In so doing, we acknowledged that the current policies of the Nigerian administration are likely to be creating serious problems for some banks. We deemed it best to watch from afar. Yet, some of the best investment bargains will come on offer in this environment.

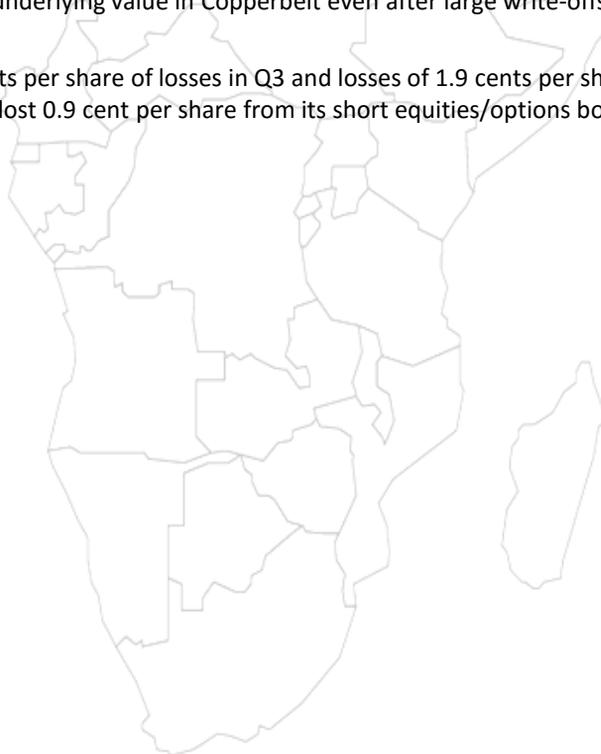
AOF's Enterprise holdings had a flat quarter. However, Enterprise's third quarter profit performances was disappointing. Q3 net profit attributable to shareholders fell 59%, year-on-year, to \$1.23 million while the profits attributable to non-controlling interests rose, year-on-year, by 36%. The contrasting fortunes of shareholders and their partners implied that Enterprise's wholly-owned operations lost money. A 259% mushrooming in Enterprise's property, plant, and equipment purchases to \$4.1 million disclosed in its Q3 cash flow statements identified its property subsidiary as a major locus of loss. Paradoxically, that capital expenditure also hinted at the approaching end of Enterprise's \$27 million 8600 square meters of mixed used real estate development known as Advantage Place. Its property subsidiary is incurring expenses to prepare that property for letting to, and collecting US Dollar denominated revenues from, tenants from 2017. The slowdown in new business, symptomatic of the currently constrained circumstances of Ghanaian consumers, was confirmed by an inflation-adjusted decline in commission expenses and, for the general insurance business, a decline in unearned premiums. Fortunately, one comforting development was a material rise in free cash flow attributable to Enterprise's shareholders. Enterprise continues to enjoy the protections of a granite balance sheet.

Sonatel's underlying trend evident in its H1 2016 results is one of slight decline from impressive operational levels: subscribers declined 3.4% to 27 million subscribers; and both ebitda and net income declined 2.5% in CFA Francs. Underlying that decline lie several growing challenges. As in South Africa, the Senegalese regulator imposed a 17% asymmetric cut in mobile termination rates on Sonatel to 1.7 US cents to stimulate competition. Sonatel was targeted because it was, and remains, the largest operator in Senegal. International incoming calls continue to face growing competition from VOIP calls. Guinea, Sonatel's fastest growing market in recent times, endured two setbacks. The first was the Guinean Franc devalued by 14% against the US Dollar in H1; the second was VAT, telecommunications tax, and royalties were increased on Sonatel's services. But Sonatel's results also contained positives. Monthly average revenue per user rose by 50% in Sonatel's largest market-Mali-to \$4.7. It is making progress with the Orange mobile money product. It has also entered Sierra Leone, via spending \$153 million to acquire a 50% interest in Airtel Sierra Leone, with its parent, Orange, as the other 50% owner. Airtel Sierra Leone has a 44% EBITDA margin, much lower than Sonatel's EBITDA margin. However, it is the industry leader in Sierra Leone. It can be expected that debt levels will rise as Sonatel invests in its new acquisition. It represents the second non-CFA territory of Sonatel and its first foray into Anglophone Africa. The other piece of good news is that a fine of 14.9 billion CFA Francs (\$24 million) for poor customer service was negotiated down to an eventual level of 1.5 billion CFA Francs (\$2.6 million). Finally, Sonatel acquired a 4G license in Senegal and extended its concession period. Sonatel's possibilities may be gleaned from a comparison of its results with those of Safaricom in two areas. Safaricom generates 42% of its revenues (or \$410 million) from mobile data and its M-PESA money services versus 11% (or \$81 million) for Sonatel. Safaricom's ARPU, at \$6.2, is 32% higher than Sonatel's ARPU. Sonatel's stagnant return in Q3 was apt: Sonatel's results were not bad, but it could do better.

Once again, fixed income securities of commodity producers supplied a welcome assist to AOF's Q3 performance. lamgold and Anglogold's management displayed an amalgam of nimbleness and sobriety to reduce the continuing debt charges of their respective companies. lamgold took advantage of the elevated gold price to raise \$230 million of equity and to apply some of the proceeds to repurchase \$149 million of its bonds at a price of 96. By so doing, lamgold improved the creditworthiness of the outstanding bonds and lowered future interest expense. We declined to tender our bonds since that would have been tantamount to selling lamgold's reserve ounces at a cheap price. Anglogold redeemed the balance of the 8.5% notes due in 2020 by paying \$503 million or a price of 106.4 for the remaining notes. To fund the redemption, it used internal cash and drew down \$330 million from its 2.38% Libor-based revolving credit facility. The refinancing will reduce annual interest charges by \$40 million. By the end of Q3, Anglogold's net debt/EBITDA ratio was 1.46 versus its covenanted ratio of 3.5x. Moodys revised its Anglogold outlook to positive because of its debt reduction measures. AOF holds the 6.5% 2040 Anglogold bonds. They are protected from call by a make whole premium at 30%. However, duration risk is real. A 1% rise in long-term rates reduces its price by 5%. Our bet is that signs of rising inflation will encourage a higher gold price to support the credit quality of our bonds. By no means are gold producers out of troubled woods. The gold price dropped by more than \$100 in Q3-causing a 50% drop in Anglogold's share price, as belief in more Fed hikes and higher long-term rates took hold. Major South African gold mines also have to contend with a class action lawsuit to pay for historical lung-related diseases endured by miners in the apartheid era.

Copperbelt Energy's H1 2016 juxtaposed profits in drought-afflicted Zambia next to losses in its Nigerian investments. Despite a drop in revenues, its Zambian operations generated an 11% increase in EBITDA to \$39.2 million, a 14% rise in net profit to \$23.3 million, and an annual return on average equity of 12%. As expected, Copperbelt's power trading income continued its startling climb. Power trading income exceeding \$25 million in H1 was larger than \$24 million for the entirety of 2015. Since 2013, this activity of buying power from suppliers like Eskom of South Africa for sale to Katanga has multiplied 10x. Indeed, Eskom reported in its recent interim results that its international sales increased by 31% and expressed an intention to conclude long-term power supply agreements with regional partners. Subdued demand in South Africa, aided by Copperbelt's new 220kV double circuit transmission line to Congo, is assisting Copperbelt's Zambian operations to expand profitably, regardless of Zambia's biblical plagues of low copper prices and intense drought. Sadly, the finances of Copperbelt's Nigerian investments have been knocked out by Nigeria's macro woes. Sabotage of Nigeria's pipelines have lowered sharply the supply of power to Nigeria's transmission company, causing, in turn, grossly insufficient supplies of power to distribution companies like Abuja Electric Distribution Company. The long-overdue devaluation of the Naira, without automatic adjustments of Naira-denominated tariffs, exacerbated currency mismatches arising from various US Dollar-denominated loans to Copperbelt's Nigerian investments, plunging those operations into a loss of \$123 million. Baldly stated: the litany of Nigeria power sector problems is long and the industry's finances are a disaster. Consequently, Copperbelt's management has had to take corporate action to delineate distinctly the different identities of its Zambian and Nigerian operations. After the end of Q3, Copperbelt announced a proposal to separate its Zambian operations from its other African investments and distribute the shares of Copperbelt Africa-the holding company of those investments-to shareholders. In so doing, it proposed to take a write-down of \$150 million in loans and receivables of its African investments, thus validating our prior internal judgment. The pro-forma effects of this demerger on Copperbelt's earnings per share and net asset value per share would be a swing from a loss of 8 cents to a profit of 7 cents and an improvement of its net asset value per share to 23 cents (or \$373.7 million). Copperbelt's pro-forma net asset value is a far cry from its 7 cents share price. We salute the proposed demerger as a mechanism to expose underlying value in Copperbelt even after large write-offs.

AOF's Shoprite short position generated 0.8 cents per share of losses in Q3 and losses of 1.9 cents per share in the first nine months of 2016. The ordinary shares lost 0.9 cent per share from its short equities/options book in Q3 2016.



### C Share Portfolio Highlights

The NAV of AOF's C share declined 2.9% in Q3. In the same period, the share price fell 6.1% from \$0.65 to \$0.61. The C shares' Q3 portfolio has exposure to 31 issuers, of which 12 are new issuers to AOF. Its largest losses came from its Shoprite short position, Dangote Cement, and Continental Reinsurance. Dangote and Continental constituted 4% and 6% of the NAV of the C shares. The C shares had 8% of its net asset value in gold mining equities, 7% in gold mining debt, 3% in oil and gas equities, and 11% in oil and gas debt. Although gold companies like AngloGold and lamgold contributed positively to the C share portfolio, those gains were overwhelmed by the losses incurred in some of the large holdings of the C shares.

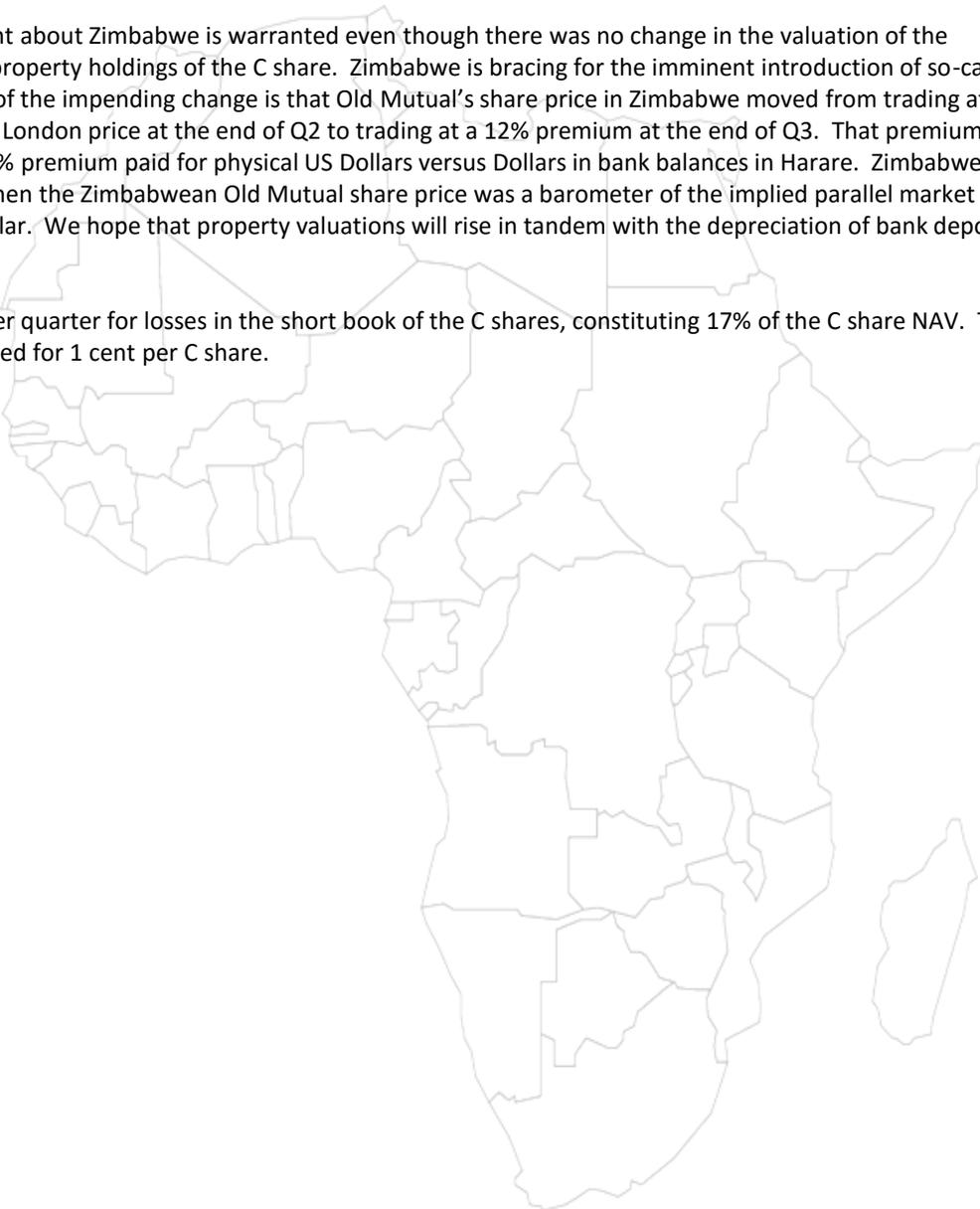
LAC's Stanbic Uganda shares were completely flat and unchanged in Uganda shillings in Q3 2016, but rose 0.41% in US Dollars. Its market capitalization at the end of September 2016 was \$392.6 million. Stanbic Uganda reported a superb set of half year results in August. These results are all the more impressive when one considers that the East African banking sector is experiencing bank failures. Crane Bank, for example, was placed under the control of the Bank of Uganda because the central bank considered it to be undercapitalized and a danger to the overall banking system. In so doing, the Bank of Uganda was walking down a path trodden by central banks in Nigeria, Kenya, Zambia, and Mozambique to name a few other jurisdictions which have experienced bank failures in 2016. Subsequently, Tanzania's central bank also took over a weak bank-Twiga. All those banks suffered from rising delinquent loans. Uganda's non-performing loan or delinquent loan ratio at the end of June was 7%. Stanbic Uganda's ratio was 1.9%, a far cry from the 8.2% ratio of H1 2012. Stanbic Uganda's strong results were the outcome of a surge in its deposits, gradually declining interest expense, and a rise in its non-interest income. It accounted for 31% of Uganda bank profits as of the end of May. Stanbic Uganda has traded on an average P/E of 12.3x between 2010 and 2015 and an average P/B of 3.4x. The market depressed its valuation earlier this year because of a cut in its dividend payout ratio to meet a more stringent capital adequacy ratio imposed on it by the Bank of Uganda. We believe that a valuation based on its historical average P/E ratio and its historical average P/B ratio is justified since the capital retained in Stanbic Uganda earned a 28% return in a low inflation environment. To be safe, if we use only 90% of the historical average P/E and P/B ratios or 11x and 3x, when applied to T12m net profits of \$74 million for the period ended June 30, 2016 and book value per share of \$184 million on June 30, 2016, Stanbic Uganda's intrinsic valuation should be \$814 million (using the 11x P/E multiple) or \$551 million (using the 3x P/B multiple corresponding to a trailing 12 month P/E ratio of 7.5x). The conclusion of this exercise is that Stanbic Uganda is valued 29% discount to our estimate of its long term fair value of \$551 million.

Kenya Power's share price fell 11% in US Dollars in Q3 and lost 33% in 2016. Its market capitalization was \$169.6 million, enterprise value was \$1.22 billion, deferred income of \$144 million, and total assets of \$2.9 billion. For comparison, Umeme, the listed Ugandan electricity distributor, sells less than 1/3<sup>rd</sup> of Kenya Power's annual electricity sales, generates operating cash flow in 12 months only 44% of Kenya Power's six month operating cash flow, and earns less than half Kenya Powers' net profit. Yet, at the end of Q3, Umeme had an enterprise value of \$428 million, equating to a EV/operating cash flow multiple of 8x. Admittedly, Umeme has a higher dividend yield than Kenya Power, is perceived by sell-side analysts to be more efficient than Kenya Power, and has a higher return on capital. Nevertheless, for Kenya Power to have an enterprise value which is 5x its \$251 million of cash generated from operations looks cheap. Kenya Power has a stingy 13% dividend payout ratio because it is reinvesting its undistributed cash to pay for 65% of its 5 year \$2.1 billion capital expenditure program. Its 2015/16 capital budget gives some sense of why it is spending such sums. Out of a total budget of \$490 million, \$123 million was spent to add 4,771 kilometers of distribution or low voltage power lines and \$119 million went into adding 36 new substations, not to mention the completion of 4,209 kilometers of transmission or medium and high voltage power lines. Kenya Power announced mixed 2015/16 results. It added 1.2 million new customers to raise its total customer count by 33% to 4.9 million customers, but energy sales rose only 3.6% from 7138 Gwh in 2015 to 7385 Gwh in 2016. Unfortunately, the larger the type of customer-with industrial customers in the largest customer category-the smaller the growth in electricity sales as evidenced by growth of only 0.5% in sales to industrial customers. Clearly, industrial growth is close to a standstill in Kenya, suggesting Kenya could suffer an electricity glut in the next few years. Net power purchases rose 6% from 8629 Gwh in 2014/15 to 9159 Gwh in 2015/16, with geothermal energy leaping from 1599 Gwh in 2013 to 4608 Gwh in 2016, accounting for 47% of those purchases.

According to a recent Moody's report, Kenya's electricity supply is second in stability to Rwanda in East Africa. Yet, despite a minuscule rise in electricity sales revenues from \$851.8 million in 2015 to \$853 million in 2016, profits before tax declined 12% from \$134 million to \$118 million, principally because net interest expense rose 35%. We expect, in the wake of the June refinancing of debt with a World Bank guarantee, that net interest expense will decline over the next few years. Return on average assets declined to 2.65% from 3% in 2015 and 3.2% in 2014. Our fears are that Kenya Power may fail to generate new electricity sales to industrial and commercial customers, dampening its revenue growth over the next few years. Nevertheless, at current valuations, AOF is paying a modest price to be an investor in a profitable and growing East African utility!

Some comment about Zimbabwe is warranted even though there was no change in the valuation of the Zimbabwean property holdings of the C share. Zimbabwe is bracing for the imminent introduction of so-called bond notes. A sign of the impending change is that Old Mutual's share price in Zimbabwe moved from trading at a 12% discount to its London price at the end of Q2 to trading at a 12% premium at the end of Q3. That premium is close to the 10%-15% premium paid for physical US Dollars versus Dollars in bank balances in Harare. Zimbabwe is back to the past, when the Zimbabwean Old Mutual share price was a barometer of the implied parallel market of the Zimbabwe Dollar. We hope that property valuations will rise in tandem with the depreciation of bank deposited Dollars.

Q3 was another quarter for losses in the short book of the C shares, constituting 17% of the C share NAV. Those losses accounted for 1 cent per C share.



## Portfolio Appraisal Value

As of September 30, the Manager's appraisal of the intrinsic economic value of the Ordinary Share portfolio was \$1.19 per share. The market price of \$0.642 at quarter end represents a 46% discount. The Manager's appraisal of the intrinsic economic value of the C Share portfolio was \$1.07 per share. The market price of \$0.61 at quarter end represents a 43% 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 Q3 2016 and for the 9 month period ended September 30 2016 at the end of this quarterly newsletter to give readers more data about the underlying sources of the performance of the ordinary share portfolio and the C share portfolio.

## Shoprite arbitration

The Shoprite arbitration commenced in August. It ended in October. We hope the arbitrator will deliver his decision by the end of the year.

## 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. AOF's ordinary share portfolio possesses undervalued companies. Its top 7 equity holdings offer a weighted average dividend yield of 5%, a rolling P/E ratio of 9x (note we substitute Copperbelt Zambia's profits for Copperbelt's group's consolidated losses), a return on assets of 10%, and a return on equity of 18%. The corresponding statistics for the top 7 equity holdings in AOF's C share portfolio are a dividend yield of 5%, a P/E ratio of 6x (using same methodology for Copperbelt), a return on assets of 1%, and a return on equity of 3%. As African markets adjust to the down draft of weak commodity prices and volatility, we are finding excellent long and short 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 the 3<sup>rd</sup> Quarter Portfolio return by Sector and by Geography

### Africa Opportunity Fund

#### Return by Sector

For Q3 2016

Return by Sector, % of Securities	Ordinary Shares	C Shares
Telecommunications	0.0%	0.1%
Financial Services	-0.8%	-0.8%
Consumer Finance	0.2%	1.4%
Utilities	-0.1%	-0.6%
Oil Exploration & Production	1.3%	1.6%
Consumer Products & Services	-0.6%	-1.4%
Plantations	-0.1%	-0.2%
Mining Industry	1.8%	0.1%
Real Estate	0.0%	-0.2%
Materials	0.0%	-0.6%
Beverages	-0.1%	0.0%
Other	0.0%	0.0%
	<b>1.5%</b>	<b>-0.7%</b>
Net Working Capital	<b>-1.6%</b>	<b>-2.2%</b>
<b>Return on N.A.V</b>	<b>-0.1%</b>	<b>-2.9%</b>

### Africa Opportunity Fund

#### Return by Geography

For Q3 2016

Returns by Geography, % of Securities	Ordinary Shares	C Shares
Zambia	0.4%	-0.1%
Ghana	0.7%	1.5%
Senegal	0.4%	0.4%
Other	1.4%	0.4%
Nigeria	0.0%	-0.5%
Cote D'Ivoire	-0.2%	-0.3%
Morocco	0.0%	0.0%
Zimbabwe	0.5%	0.2%
Kenya	-0.1%	-0.5%
Botswana	0.1%	0.1%
Tanzania	-0.1%	0.0%
South Africa	-1.6%	-1.8%
Uganda	0.0%	0.0%
	<b>1.5%</b>	<b>-0.6%</b>
Net Working Capital	<b>-1.6%</b>	<b>-2.2%</b>
<b>Return on N.A.V</b>	<b>-0.1%</b>	<b>-2.9%</b>

## Analysis of the 9 months Portfolio return by Sector and by Geography

## Africa Opportunity Fund

## Return by Sector

For 9 months to Sept 2016

Return by Sector, % of Securities	Ordinary Shares	C Shares
Telecommunications	0.6%	0.9%
Financial Services	-1.5%	-3.6%
Consumer Finance	-0.5%	-1.6%
Utilities	0.7%	-0.5%
Oil Exploration & Production	2.6%	3.4%
Consumer Products & Services	-2.8%	-4.4%
Plantations	0.5%	1.0%
Mining Industry	8.3%	6.9%
Real Estate	-0.8%	-2.4%
Materials	0.0%	-1.4%
Beverages	-0.5%	0.0%
Other	-0.3%	0.2%
	<b>6.3%</b>	<b>-1.7%</b>
Net Working Capital	<b>-3.8%</b>	<b>-1.5%</b>
Return on N.A.V	<b>2.5%</b>	<b>-3.2%</b>

## Africa Opportunity Fund

## Return by Geography

For 9 months 2016

Returns by Geography, % of Securities	Ordinary Shares	C Shares
Zambia	2.0%	1.2%
Ghana	1.6%	2.8%
Senegal	0.6%	0.4%
Other	4.8%	2.6%
Nigeria	-1.6%	-5.5%
Cote D'Ivoire	0.5%	0.9%
Morocco	0.3%	0.9%
Zimbabwe	-0.5%	-2.0%
Kenya	-0.3%	-2.1%
Botswana	-0.3%	-0.3%
Tanzania	-0.5%	0.0%
South Africa	-0.5%	0.7%
Uganda	0.0%	-1.5%
	<b>6.3%</b>	<b>-1.7%</b>
Net Working Capital	<b>-3.8%</b>	<b>-1.5%</b>
Return on N.A.V	<b>2.5%</b>	<b>-3.2%</b>

## Attribution of Portfolio Returns by Asset Class

## Ordinary Shares Portfolio

Asset Class Exposure	Invested Capital	Attribution PnL	Q3 Return on Invested Capital	Return Contribution on NAV
Long Equities	27,889,395	-180,751	-0.6%	-0.5%
Short Equities/Options	-5,299,194	-370,889	-7.0%	-1.0%
Bonds	9,954,893	938,542	9.4%	2.5%
Special Situations	6,271,031	172,746	2.8%	0.5%
	<b>38,816,125</b>	<b>559,648</b>		<b>1.5%</b>

\*For this Q3 return, invested capital is as of 07/01/2016 and comprises the market value of securities in the ordinary shares portfolio as of 7/01/2016, plus net changes in that securities portfolio during Q3.

Asset Class Exposure	Invested Capital	Attribution PnL	9 months Return on Invested Capital	Return Contribution on NAV
Long Equities	27,551,144	828,780	3.0%	2.2%
Short Equities/Options	-4,136,261	-1,361,886	-32.9%	-3.7%
Bonds	8,731,327	2,458,601	28.2%	6.6%
Special Situations	6,046,629	418,938	6.9%	1.1%
	<b>38,192,839</b>	<b>2,344,433</b>		<b>6.3%</b>

\*For this 9 months return, invested capital is as of 01/01/2016 and comprises the market value of securities in the ordinary shares portfolio as of 01/01/2016, plus net changes in that securities portfolio during the 9 months to September 2016.

## C Shares Portfolio

Asset Class Exposure	Invested Capital	Attribution PnL	Q3 Return on Invested Capital	Return Contribution on NAV
Long Equities	17,633,555	-757,337	-4.3%	-3.2%
Short Equities/Options	-4,046,143	-295,159	-7.3%	-1.2%
Bonds	9,364,807	870,762	9.3%	3.6%
Special Situations	562,446	14,425	2.6%	0.1%
	<b>23,514,664</b>	<b>-167,310</b>		<b>-0.6%</b>

\*For this Q3 return, invested capital is as of 07/01/2016 and comprises the market value of securities in the C shares portfolio as of 7/01/2016, plus net changes in that securities portfolio during Q3.

Asset Class Exposure	Invested Capital	Attribution PnL	9 months Return on Invested Capital	Return Contribution on NAV
Long Equities	18,191,671	-1,101,667	-6.1%	-4.6%
Short Equities/Options	-3,216,596	-1,016,421	-31.6%	-3.9%
Bonds	8,502,846	1,595,080	18.8%	6.7%
Special Situations	557,373	19,498	3.5%	0.1%
	<b>24,035,294</b>	<b>-503,509</b>		<b>-1.7%</b>

\*For this 9 months return, invested capital is as of 01/01/2016 and comprises the market value of securities in the ordinary shares portfolio as of 01/01/2016, plus net changes in that securities portfolio during the 9 months to September 2016.

**Fund Details (Ordinary Shares)**

*Bloomberg:* AOF LN  
*Reuters:* AOF.L  
*Website:* [www.africaopportunityfund.com](http://www.africaopportunityfund.com)  
*Listing:* SFS / 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](http://www.africaopportunityfund.com)  
*Listing:* SFS / London Stock Exchange  
*Structure:* Closed-end  
*ISIN:* KYG012921121  
 Euroclear/Clearstream  
*Inception:* 17 April 2014  
*Domicile:* Cayman Islands

*Portfolio Managers:* Francis Daniels  
 Robert Knapp

*Auditor:* Ernst & Young

*Investment Manager:* Africa Opportunity Partners Ltd.

*Corporate Broker:* Liberum Capital Ltd

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