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.

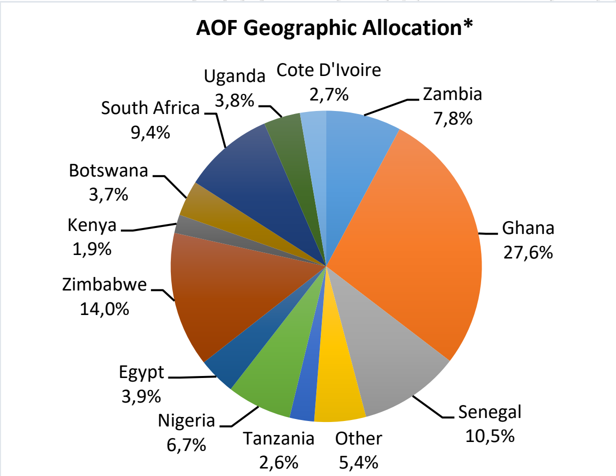
Listing: Specialist Fund Segment of the London Stock Exchange's Main Market

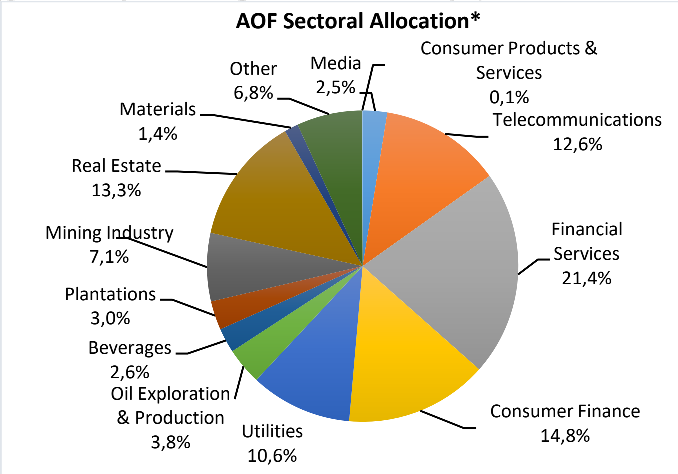
Dividend Policy: An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses).

Fund Performance (as at 30 Sept 2018) – Ordinary Shares

NAV per share:	$0.842	Total Net Assets:	$63.0 mm
Share price as at 30 Sept 18:	$0.730	Market Capitalization:	$54.6 mm
Premium/Discount to NAV:	-13%	Shares outstanding:	74.8 mm

US$ NAV Return %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2018	5.1%	3.8%	0.1%	-4.5%	-8.4%	-0.6%	1.8%	-3.9%	-2.1%				-9.0%
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, 3% Debt, 9% Unencumbered Cash

Top Ten Holdings - AOF	Description	% of NAV
Enterprise Group Ltd	Ghanaian property & casualty insurance and life assurance company	16.5%
Sonatel	Dominant Senegalese and regional integrated telecommunication operator	9.6%
First Mutual Properties	Zimbabwean real estate company	7.2%
Copperbelt Energy Corporation Plc	Largest electricity transmitter in the Zambian Copperbelt	6.8%
Anglogold Ashanti	Gold mining company operating in 11 countries	5.4%
Standard Chartered Bank	Leading commercial bank in Ghana	4.6%
Mashonaland Holdings	Zimbabwean real estate company	4.6%
Kosmos Energy	Frontier oil and gas exploration and production company	4.2%
African Leadership University	A Pan-African tertiary education institution	3.7%
Continental Reinsurance	Leading Pan-African reinsurer offering non-life and life reinsurance products	3.7%
Total		**66.3%**

Manager's Commentary

The Africa Opportunity Fund ("AOF" or the "Company" or the "Fund") ordinary share NAV fell 4.2% in Q3. As a reference, during the quarter in USD the S&P rose 8%, Brazil rose 5%, Russia rose 7%, India fell 3%, and China fell 4%. In Africa, South Africa fell 5%, Egypt fell 12%, Kenya fell 12%, and Nigeria fell 15%. 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), fell, respectively, 7%, 4%, and 9%.

Ordinary Shares Portfolio Highlights

The largest contributor to the Fund's NAV decline was Copperbelt Energy. Its shares declined 46%, taking 4 cents per share off of our NAV. Year to date, Copperbelt's shares, including dividends, have lost 17% in unrealised losses or 0.8 cent per share. The expiry of the takeover bid for Copperbelt, with the loss of the associated takeover control premium, was the major cause of this tumbling share price. The Zambian kwacha's 17% fall against the Dollar in September seems to have been the outcome of deepening doubts about Zambia's national debt burden combined with tightening financial conditions in African markets. As the International Monetary Fund observed recently in its release of its latest Sub-Saharan Africa regional outlook report, the rise in African Eurobond yields since April – approximating 200 basis points – is beginning to approach yield increases during the 2014 "taper tantrum" and the April 2015 episodes. Furthermore, the price of copper, the largest export of Zambia, is down 20% year to date. By contrast, crude oil, an import, is up 16%, along with double digit price increases in maize, wheat, and sorghum. Zambia's deteriorating terms of trade match growing fiscal stress evident in the steep Q3 fall of its 07/30/2027 Eurobond price from 89 to 72. Not only is the Zambian government at an impasse with the International Monetary Fund, it seems to be in dire need of a restructuring of debt deals struck with the Chinese authorities. Thus, the Copperbelt share price incorporates doubts about Zambia's fiscal path as well as uncertainties facing Copperbelt and Zambia's electricity industry. Yet, despite this somewhat ominous backdrop the sustainable long-term trends for Copperbelt remain very encouraging: the copper mines of Zambia and the Democratic Republic of Congo continue to increase production; and Zambia's need for dramatically higher national electricity consumption to fuel its economic development requires a profitable transmission network capable of meeting its Dollar denominated capital expenditure program. No doubt, the impending renegotiation of Copperbelt's bulk supply agreement in 2019 is a cause of anxiety; no doubt, declining copper prices raise doubts about the ability of Copperbelt's customers to absorb future electricity tariff increases. But, those doubts likely do not justify a dividend yield of 11% and a P/E ratio of 3x for Copperbelt. Our response has been to add to our Copperbelt holdings. Other changes made in the AOF portfolio during the quarter included selling Tullow bonds, reducing our Naspers position, while increasing our Enterprise Group and Letshego holdings.

The Fund's Anglogold and Goldfield holdings delivered a loss of 1.6 cents per share YTD and 0.2 cents per share in Q3. As gold fell through the $1,200 per ounce level in this quarter to a 12 month low of $1,175 in mid-August, gold short contracts reported to the US Commodity Futures and Trading Commission doubled to a 12 year high, confirming the consensus view of gold's weak prospects in a time of rising US interest rates, strong US equity markets, and an appreciating Dollar. An additional factor was Goldfields' announcement of yet another study to devise a fresh strategic plan to eliminate losses at South Deep, the second largest gold deposit in the world. The galling aspect of this announcement was that Goldfields has published and implemented several plans for South Deep. Sadly, South Deep has remained perpetually loss-making throughout the implementation of those defunct plans. It is hard to believe that Goldfields knows how to wring profits from South Deep. Turning to Anglogold, it has been granted various tax concessions with a net present value of $259 million by the Ghana government to induce construction of a new mechanized mine at Obuasi. Those concessions approximate half of the capital expenditure for the new Obuasi. The new mine is expected to produce an annual average of 400,000 ounces at an average all-in sustaining cost of $800 per ounce, with an internal rate of return of 16% at a real gold price of $1100. First production from Obuasi is scheduled for Q3 2019. Obuasi alone has more than 30 million ounces in mineral resources. Anglogold's Ghana expansion will both reduce its overall costs per ounce and raise the share of its annual output extracted from stable tax jurisdictions. These gold producers have been attractive to us because they combine discounted valuations of their reserves, at current gold prices, with significant option value from their large resource holdings.

Kenya Power's shares also had a poor quarter, losing another 3rd of its value, which equated to a loss of 1 cent per share to our NAV. Its former CEO and his predecessor, and several other officers, were charged with economic crimes in the procurement of defective transformers and other tender irregularities. One positive development was that an entire team of interim executives was appointed by the board. The other encouraging development was the promulgation of a new set of tariffs for Kenya Power, after a two year delay. The new tariff regime makes electricity cheaper for the indigent, more expensive for the middle class, and cheaper for large industrial consumers. Industrial consumers can reduce their electricity tariffs by switching to night-time electricity usage. Crucially, the new tariffs are set at levels that guarantee that Kenya Power is able to meet its entire debt service obligations. Kenya Power trades on a P/E ratio of 1.5x, a dividend yield above 11%, and a P/B ratio of 0.12x. Clearly, the market has lost all confidence in this utility. Kenya Power is very cheap and if they can work through their troubles without raising new equity capital (which would be very dilutive), we think there is significant long term upside.

Kosmos experienced a benign quarter, as its share price rose 13%. Significantly, it announced a $1.2 billion acquisition of a company called Deep Gulf Energy owning deepwater wells in the Gulf of Mexico. Oil from those Gulf of Mexico wells have a break-even price of $48 per barrel (WTI) and a $15 per barrel of oil equivalent acquisition cost to Kosmos. Apart from the acquisition being immediately earnings accretive, it will allow Kosmos to become a dividend-paying company in H1 2019. Kosmos' leverage ratios will rise to fund this acquisition, then revert to its pre-acquisition level by the end of 2019. Kosmos is suffering from a spell of dry wells in Senegal and Surinam. However, its new acquisition, coupled with its Equatorial Guinean acquisition from Hess last year, and the rising oil production in Ghana will put Kosmos on track to produce approximately 70,000 barrel of oil equivalent per day, more than double its daily production profile a mere two years ago.

Zimbabwe is in the grip of a panic as US Dollars disappear from daily circulation and shortages explode into life. Fear of hyperinflation is acute. Those fears are measured by Old Mutual shares In Harare trading at 2.5x their London and Johannesburg prices. By contrast, Mashonaland Holdings and First Mutual Properties appreciated by 13% and 36% in Q3. The new Zimbabwe government announced a transitional stabilization programme in early October. There is no doubt about the willingness of the international community to help Zimbabwe begin its recovery. However, caution remains in order until the government discloses a convincing plan to bring its wage bill under control.

The short book contributed gains of 2.4 cents per share in the nine months of 2018, with 58% of the gains in the short book coming from the third quarter.

Portfolio Appraisal Value
As of September 30, the Manager's appraisal of the intrinsic economic value of the Ordinary Share portfolio was $1.121 per share. The market price of $0.730 at quarter end represented a 35% 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 2018 and 9M 2018 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. However, Africa's short-term outlook has deteriorated since Q2. 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 30 September 2018, AOF's ordinary share portfolio possessed undervalued companies. AOF's ordinary share portfolio's top 10 equity holdings had a weighted average dividend yield of 4%, a P/E ratio of 10x, a return on assets of 5%, and a return on equity of 12%. As African markets adjust to the down draft of weak 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

Return by Sector, % of Securities	Q3 2018	9M 2018
Telecommunications	-0.79%	-0.8%
Financial Services	-0.5%	-3.7%
Consumer Finance	0.7%	0.9%
Utilities	-6.4%	-3.1%
Oil Exploration & Production	1.5%	2.5%
Consumer Products & Services	0.0%	0.9%
Plantations	-0.5%	-1.5%
Mining Industry	0.4%	-1.9%
Real Estate	2.6%	-0.9%
Materials	-0.2%	-0.1%
Beverages	-0.4%	0.1%
Other	-0.1%	0.9%
Media	-0.6%	-0.9%
	-4.1%	**-7.8%**
Net Working Capital	-0.1%	-1.2%
Return on N.A.V	**-4.2%**	**-9.0%**

Africa Opportunity Fund
Return by Geography

Returns by Geography, % of Securities	Q3 2018	9M 2018
Zambia	-5.1%	-0.9%
Ghana	1.4%	-2.5%
Senegal	-0.8%	-0.8%
Other	-0.5%	0.7%
Nigeria	-0.8%	-0.7%
Cote D'Ivoire	-0.4%	-0.7%
Morocco	0.0%	0.0%
Zimbabwe	2.6%	-1.5%
Egypt	-0.3%	0.0%
Kenya	-0.9%	-1.3%
Botswana	0.1%	0.1%
Tanzania	-0.4%	0.1%
South Africa	0.8%	-0.9%
Uganda	0.2%	0.6%
	-4.1%	**-7.8%**
Net Working Capital	-0.1%	-1.2%
Return on N.A.V	**-4.2%**	**-9.0%**

Attribution of Portfolio Returns by Asset Class

AOF Portfolio: Q3 2018 Return

Asset Class Exposure	Invested Capital	Attribution PnL	Q3 Holding Period Return*	Return Contribution on Invested Capital
Long Equities/Options**	59,925,729	-3,883,973	-6.5%	-6.1%
Short Equities/Options**	-3,718,812	1,058,414	28.5%	1.7%
Bonds	4,183,859	75,070	1.8%	0.1%
Arbitrage	611,123	158,205	25.9%	0.2%
Special Situations	2,712,443	0	0.0%	0.0%
	63,714,342	**-2,592,284**		**-4.1%**

AOF Portfolio: 9M 2018 Return

Asset Class Exposure	Invested Capital	Attribution PnL	9M Return on Invested Capital*	Return Contribution on Invested Capital
Long Equities/Options**	65,424,105	-7,511,302	-11.5%	-11.0%
Short Equities/Options**	-6,161,243	1,825,343	29.6%	2.7%
Bonds	5,560,653	272,149	4.9%	0.4%
Arbitrage	689,183	-44,661	-6.5%	-0.1%
Special Situations	2,537,803	174,640	6.9%	0.3%
	68,050,501	**-5,283,830**		**-7.8%**

*For the Q3 return, invested capital is as of 07/01/2018 and comprises the market value of securities in AOF portfolio as of 06/30/2018, plus net changes in the securities portfolio during the third quarter.

** The Short Equities/Options category refers to our financial liabilities exposure. Some options are classified as financial assets while other options are classified as financial liabilities.

*For the 9M return, invested capital is as of 01/01/2018 and comprises the market value of securities in AOF portfolio as of 12/31/2017, plus net changes in the securities portfolio during the first nine months.

** The Short Equities/Options category refers to our financial liabilities exposure. Some options are classified as financial assets while other options are classified as financial liabilities.

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

Portfolio Managers:	Francis Daniels Robert Knapp	*Broker:*	Liberum Capital Ltd
Investment Manager:	Africa Opportunity Partners Ltd.	*Auditor:*	Ernst & Young

Important Information

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