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

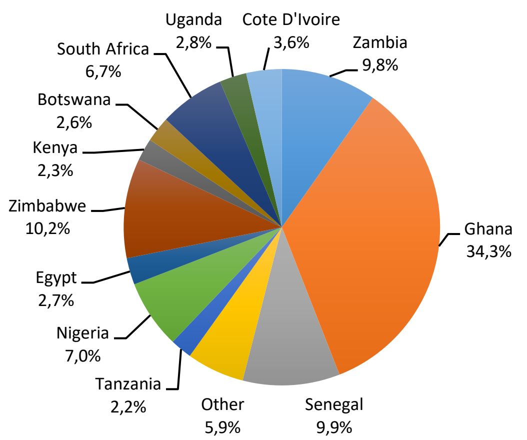
Dividend Policy: An amount equal to the annual comprehensive income of the Company (excluding net capital gains/losses).

Fund Performance (as at 31 March 2018) – Ordinary Shares

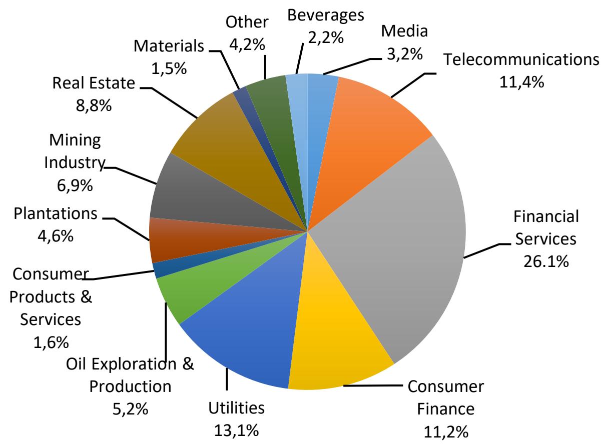
NAV per share:	$1.022	Total Net Assets:	$76.5 mm
Share price as at 31 March 18:	$0.815	Market Capitalization:	$61.0 mm
Premium/Discount to NAV:	-20%	Shares outstanding:	74.8 mm

US$ NAV Return %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY
2018	5.1%	3.8%	1.2%										10.4%
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%

AOF Geographic Allocation*



AOF Sectoral Allocation*



*Geographic and Sectoral exposure as a percentage of gross invested assets.
Holdings as a % of NAV: 89% Equity, 6% Debt, 5% Unencumbered Cash

Top Ten Holdings - AOF	Description	% of NAV
Enterprise Group Ltd	Ghanaian property & casualty insurance and life assurance company	21.6%
Sonatel	Dominant Senegalese and regional integrated telecommunication operator	9.4%
Copperbelt Energy Corporation Plc	Largest electricity transmitter in the Zambian Copperbelt	8.9%
Standard Chartered Bank	Leading commercial bank in Ghana	4.9%
AngloGold Ashanti	Gold mining company operating in 11 countries	4.9%
First Mutual Properties	Zimbabwean real estate company	4.7%
Mashonaland Holdings	Zimbabwean real estate company	3.9%
Continental Reinsurance	Pan-African reinsurer offering non-life and life reinsurance products	3.9%
Societe des Caoutchoucs de Grand-Bereby	Rubber and palm oil company based in West Africa	3.3%
Naspers	SA based global internet & pay-tv group and technology investor	3.0%
Total		**68.5%**

Manager's Commentary

Market Conditions

The Africa Opportunity Fund ("AOF" or the "Fund") ordinary share NAV rose 10% in Q1. As a reference, during the quarter in USD the S&P was flat, Brazil rose 12%, Russia rose 9%, India fell 5%, and China was flat. In Africa, South Africa fell 2%, Egypt rose 16%, Kenya rose 14%, and Nigeria rose 9%. 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)-respectively, fell 1%, rose 1%, and rose 3%.

Ordinary Share Portfolio Highlights

The two key drivers of AOF's Q1 positive performance, adding 8.9 cents per share, were the rise in Enterprise Group and Copperbelt. On the loss-making side, Zimbabwe loomed large, as First Mutual Properties and Mashonaland Holdings subtracted 2.4 cents per share from AOF's NAV. Broadly African currencies turned in benign performances. Except for the Tanzanian and Ugandan shilling, all the African currencies in which AOF's holdings are denominated appreciated against the Dollar. No doubt, Ghana's Cedi, for example, appreciated by less than 2% against the Dollar in Q1 and the Zambian Kwacha appreciated by 3% against the Dollar. Thus, AOF underperformed several Africa indices in local currency terms this quarter as the large and liquid counters continued to attract inflows. Changes made in the AOF portfolio during the quarter included adding exposure to Anglogold Ashanti and Komos Energy. The ordinary share portfolio had 5% of its net asset value in gold mining equities, 2% in oil and gas equities, and 3% in oil and gas debt.

The share price of Enterprise Group rose 33% in Q1. As we expected, Enterprise launched its rights issue in this quarter. It also announced respectable 2017 financial results. An important feature of the rights issue was its disclosure of the valuation of the different operating subsidiaries of Enterprise accepted by Prudential Financial Inc of the US when it bought its stakes in those subsidiaries and Enterprise Group in proposing to purchase fractions of those stakes from Prudential Financial Inc. Enterprise Life was valued at $208 million; Enterprise Insurance was valued at $58 million; Enterprise Properties was valued at $36 million; and Enterprise Trustees (administrator of various pension schemes in Ghana) was valued at $13 million. The two noteworthy aspects of these valuations were they were voluntarily negotiated between knowledgeable and sophisticated industry players; and they were denominated in Dollars, hinting at the capacity of the Enterprise Group to increase shareholder value in hard currency terms. Consequently, those valuations serve as a benchmark against which to measure the degree of undervaluation (or overvaluation) of Enterprise on the Ghana Stock Exchange. By that benchmark, Enterprise was undervalued at the end of Q1.

Copperbelt's shares enjoyed a superb quarter, appreciating 43%. With dividends included, the total return was 53%. CDC Group PLC, the oldest development finance institution solely owned by the government of the United Kingdom, and Africa Infrastructure Fund 1 K/S, a recently established Danish fund focused on the energy and transportation sectors, made a takeover offer to acquire Copperbelt shares at a price of $0.238/share, a premium over 100% higher than the last traded price. The Fund will accept this offer. Copperbelt reported good 2017 results. Revenues and profits after tax rose, 10% respectively, to $389 million and $48 million. In similar vein, EBITDA grew 11% to $102 million (2017) and free cash climbed 17% to $59 million. We continue to believe that the electricity network sector has bright prospects in Africa, despite the interminable fights with customers about raising tariffs to cost-competitive levels. Copperbelt has been a good investment for the Fund.

Continental Reinsurance of Nigeria was another strong contributor to AOF's Q1 performance. Its market capitalization rose by 27% to $52 million at the end of Q1 2018, adding 0.9 cents per share. It was valued on a Price/Book ratio of 0.96x, a P/E ratio of 7x, and a dividend yield of 8%. With cash equal to 54% of its market capitalization, insurance reserves equating to only 93% of total equity, and no debt, Continental's return on average equity fell from 15% to 13% in 2017 and its return on average assets declined from 9% to 5%. This market capitalization was 37% higher than Continental's $38 million capitalization at the end of Q1 2017 and 8% higher than Continental's capitalization at the end of Q1 2016. Including dividends, the total return since Q1 2016 was 21%, despite an 81% depreciation of the Naira against the Dollar in that period. Continental generated an underwriting profit in 2017. But, it continued to struggle with impairment of reinsurance receivables and rapidly rising administrative expenses. Wherein lies the appeal of Continental Reinsurance? It has built a pan-African business in a nascent regulated industry with strong growth prospects. According to Swiss Re's Institute's latest Sigma Re report about 2017 global natural catastrophes (encompassing events like floods, hurricanes, earthquakes, and wildfires) and man-made losses (together "economic losses"), 2017 suffered a record high of $337 billion of catastrophic losses suffered in a single accident year, of which only $144 billion were insured losses, leaving an all-peril global catastrophe protection gap of $193 billion. Overall insured losses from hurricanes Harvey, Irma, and Maria in the Caribbean Islands, Puerto Rico, Texas, and Florida alone accounted for $92 billion of insured losses. Notably, Africa suffered $3 billion of those economic losses, representing 0.14% of African gross domestic product and 0.004% of global gross domestic product of $77 trillion. Its total insured losses of $800 million (arising from wildfire claims, storms, and accidents at oil and gas facilities) accounted for only 27% of Africa's total economic losses. In fact, 2017's worst catastrophe in terms of victims, which occurred in Sierra Leone when 1,141 people lost their lives from floods and massive landslides caused by heavy rains, was completely uninsured. By contrast, Africa's single biggest cluster of 2017 losses of $300 million arose out of a winter storm and wildfires in the western Cape of South Africa, illustrating how economic losses rise disproportionately with growing wealth. In decades to come, a growing proportion of Africa's losses should be insured as African median income and wealth levels rise. Continental's appeal is that it stands to be a beneficiary of that secular rise in insured African risk. In the short-term, the huge 2017 global losses should lead to rising premiums for the entire reinsurance industry, benefiting Continental Reinsurance. However, Continental will have to translate those positive revenue trends into materially higher returns on equity and assets to enjoy sustained double digit growth in its share price that we believe is possible.

First Mutual Properties and Mashonaland Holdings delivered losses equal to 2.4 cents per share. Zimbabwe continues to experience an acute liquidity crisis. The deflation of Q1 2017 has flipped into inflation as the prices of imported goods and services soar in keeping with the rising premium for physical cash. The share price of each property company fell by 21%, a much steeper fall than the flat performance of institutional favourites like Delta Holdings (beer) and Old Mutual PLC. Our faith resides in the proposition that bricks and mortar maintain their worth in inflationary times. The discount to replacement value of those property companies remains substantial. They are the cheapest way of building a commercial property portfolio of which we are aware in Africa.

Portfolio Appraisal Value

As of March 31, the Manager's appraisal of the intrinsic economic value of the Ordinary Share portfolio was $1.184 per share. The market price of $0.815 at quarter end represents a 31% 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 Q1 2018 at the end of this quarterly newsletter to give readers more data about the underlying sources of the performance of the ordinary share portfolio.

Strategy

The long-term investment appeal of Africa is clear. We focus 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 10 equity holdings offer a weighted average dividend yield of 3.3%, a rolling P/E ratio of 13x, a net debt/equity ratio of 8%, a return on assets of 8%, and a return on equity of 18%. As African markets begin to adjust to the rising global interest environment, we expect to find 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 Q1 2018

Return by Sector, % of Securities	AOF
Telecommunications	0.2%
Financial Services	7.8%
Consumer Finance	2.1%
Utilities	3.2%
Oil Exploration & Production	0.3%
Consumer Products & Services	0.5%
Plantations	0.9%
Mining Industry	-0.3%
Real Estate	-2.8%
Materials	0.2%
Beverages	0.3%
Other	-0.1%
Media	-0.5%
	11.7%
Net Working Capital	-1.3%
Return on NAV	**10.4%**

Africa Opportunity Fund
Return by Geography
For Q1 2018

Returns by Geography, % of Securities	AOF
Zambia	3.9%
Ghana	8.3%
Senegal	0.2%
Other	0.3%
Nigeria	0.7%
Cote D'Ivoire	0.9%
Morocco	0.0%
Zimbabwe	-2.8%
Egypt	0.0%
Kenya	-0.2%
Botswana	0.1%
Tanzania	0.3%
South Africa	-0.3%
Uganda	0.2%
	11.7%
Net Working Capital	-1.3%
Return on NAV	**10.4%**

Attribution of Portfolio Returns by Asset Class

AOF Portfolio: Q1 2018 Return

AOF Asset Class Exposure	Invested Capital*	Attribution PnL	First Quarter Holding Period Return	Return Contribution on Invested Capital
Long Equities/Options	62,098,638	7,108,575	11.4%	10.8%
Short Equities/Options**	-3,896,581	235,319	6.0%	0.4%
Bonds	4,508,416	336,439	7.5%	0.5%
Arbitrage	689,183	63,247	9.2%	0.1%
Special Situations	2,537,803	0	0.0%	0.0%
	65,937,459	**7,743,580**		**11.7%**

*For this Q1 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 that securities portfolio during the first three 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

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