The EFG-Hermes Middle East & Africa Telecom Fund
March 2014

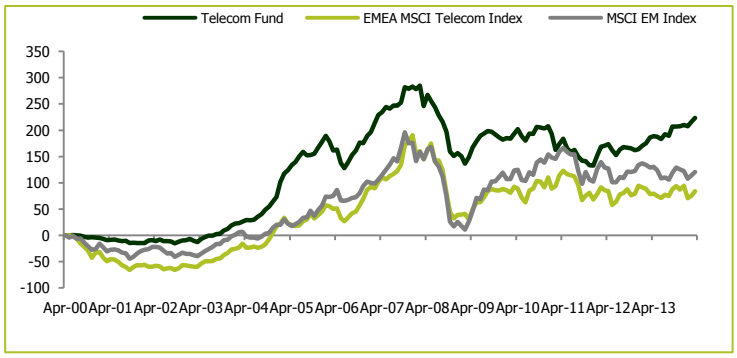
Fund Manager's Strategy & Outlook

EFG-Hermes Telecom Fund witnessed another positive month with a gain of 2.5% during March. Global markets continued their ascendance on the back of stronger macroeconomic data and a general recovery in corporate earnings. Despite the US Federal reserve cutting back on its monetary easing program, expectations of new stimulus in China, the world's second largest economy, provided yet another boost for markets. Within our region, the markets shrugged off an internal GCC spat as investors continued to bid prices higher. With regards to our investable universe, continuing strength in both Egypt and South Africa helped buoy returns.

In Egypt, Telecom Egypt (TE) rallied on the back of the impending award of a Mobile Virtual Network Operator (MVNO) license. This will effectively allow the company to buy airtime in bulk from existing operators and then resell them to consumers, transforming the company to a fully integrated telecom operator that can offer bundled packages. Given that the company has around a 45% stake in Vodafone Egypt, the market is expecting that TE will have to dispose of this stake in order not to cause any regulatory conflict. While the market obviously likes this scenario, the investment manager is of the view that a Telecom Egypt without Vodafone Egypt would be less attractive in the long term. TE will now have to bear the operational and financial risk of running an MVNO network in a saturated market. Accordingly, we have started to reduce our position in the stock as we await more color on the situation.

In South Africa, telecom operators received an operational and financial reprieve from the courts. A judge ruled that the mobile termination rate (MTR) cuts recently imposed by the regulator to be unlawful and that current rates will persist for at least 6 months. MTRs are the rates that operators charge each other for making calls to their competitor's networks, and represent a healthy portion of their revenues. Our holdings in that market rallied on the news as any impact has been pushed out for another 6 months.

In the coming months, we will be redeploying cash raised from portfolio rebalancing to target new investments. We have highlighted some interesting opportunities in the technology and media space in South Africa and Turkey that represent attractive long term value propositions.



EFG-Hermes Asset Management

Tel: 9714-363 4047 / Fax: 9714-362 1171

E-mail: AMsales@efg-hermes.com

Objective

Long-term capital appreciation through investing in listed and unlisted equities and equity-related securities of telecommunications, media, entertainment, information technology, internet and e-commerce companies and related infrastructure companies established or operating in the Middle East and Africa.

Fund Performance

Returns	Telecom Fund
Month to Date*	2.5%
Year to Date	4.3%
2013	17.3%
2012	13.5%
2011	-24.5%
2010	9.2%
2009	9.9%
2008	-33.1%
2007	32.5%
2006	4.0%
2005	60.6%

Returns	Telecom Fund
1 year	12.9%
3 year	17.8%
5 year	30.1%
Since Inception	223.2%

* MTD figures reflect performance between February 28th, 2014 and March 31st, 2014.

Fund Characteristics

No. of Holdings	12
Wtd. Market Cap	USD 10.52 billion
Dividend Yield*	3.3%
P/E Ratio 14	10.3x

*Figure reflects the weighted average yield of a dividend-bearing security in the fund

Fund Metrics*

Beta	0.3
Annualized Standard Deviation	13.5%
Annualized Information Ratio	20.2%

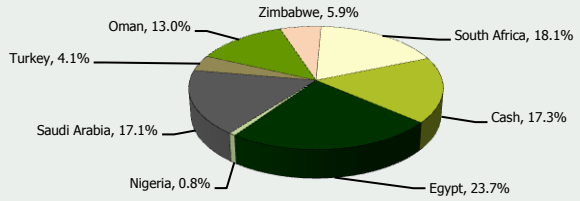
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Etihad Etisalat	Saudi Arabia	13.9%
Telecom Egypt	Egypt	10.4%
TELKOM SA SOC	South Africa	6.0%
Global Telecom	Egypt	5.7%
Omani Qatari Telecom	Oman	5.7%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 32.32
No. of Share Certificates	662,292
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.5%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN	BMG294021073
Bloomberg Ticker	EFGHTEL BH

This update does not constitute an offer of shares and should not be relied upon by any person acquiring or otherwise dealing in shares of the company. Subscription of shares in the company may only currently be made on the terms of the Placing Memorandum of the company. It should be noted that investment in the fund is only suitable for sophisticated investors who are aware of the risks of investing in The EFG-Hermes Telecom Fund Limited and should be regarded as long term. Please remember that past performance is not necessarily a guide to the future. Market and currency movements may cause the value of shares and the income from them to fluctuate and you may get back less than you invested when you decide to sell your share.