EFG – Hermes Telecom Fund

Financial Statements and Auditors' Report
For the Financial Year Ended December 31, 2007

Deloitte.

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AUDITORS' REPORT

To: The Shareholders of EFG – Hermes Telecom Fund

We have audited the accompanying financial statements of EFG-Hermes Telecom Fund as of December 31, 2007 which comprise the statement of assets and liabilities, and the related statements of income and changes in net assets for the period then ended. , and a summary of significant accounting policies, and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EFG-Herms Telecom Fund as of December 31, 2007 and its financial performance and changes in its net assets for the year then ended in conformity with International Financial Reporting Standards "IFRS".

Cairo, February 19, 2008

Kamel Magdy Saleh ACA
F.E.S.A.A. (R.A.A. 8510)

EFG - HERMES TELECOM FUND

Statement of assets and liabilities

As of 31 December 2007

	Note	31/12/2007 US$	31/12/2006 US$
Assets			
Cash and cash equivalent	(7)	6 253 674	1 754 303
Financial assets at fair value through profit or loss (Held for trading investments)	(8)	32 447 040	56 450 429
Receivables on sale of investments		-	2 226 529
Other receivables and debit balances	(9)	158 613	112 448
Total Assets		**38,859,327**	**60 543 709**
Liabilities			
Proceeds under subscription in the fund's shares		310 000	-
Payables on purchase of investments		347 241	581 441
Accrued expenses	(10)	1 841 098	315 090
Total Liabilities		**2 498 339**	**896 531**
Net Assets Value		**36 360 988**	**59 647 178**
Number of outstanding shares	(15)	949 453	2 063 685
Net Assets Value per Share		**38.30**	**28.90**

- The attached notes from (1) to (20) form an integral part of these financial statements.

EFG - HERMES TELECOM FUND

Income Statement

For the Financial Year Ended December 31, 2007

	Note	Year Ended 31/12/2007 US$	Year Ended 31/12/2006 US$
Investment Income			
Dividend income		1 494 476	2 201 132
Interest income		150 628	147 092
Total Investment Income		**1 645 104**	**2 348 224**
Expenses			
Management fees	(11)	847 924	1 282 333
Custody fees	(12)	78 826	76 628
Administrator fees	(13)	39 933	29 202
Board of directors' fees	(14)	23 090	25 000
Incentive fees	(11)	1 708 318	16 852
Other expenses		106 606	110 183
Provision for decline in fair value of investment		1 431 860	16 288
Total Expenses		**4 236 557**	**1 556 486**
Net Investment (Loss) Gain		**(2 591 453)**	**791 738**
Redemption fees		232 225	260 394
Net realized gains on sale of investments		22 627 532	25 419 949
Net unrealized (loss) of investments		(6 500 877)	(25 228 843)
Foreign currency exchange gain (loss)		272 912	(610 732)
Net Increase In Net Assets Resulting from Operations		**14 040 339**	**632 506**

- The attached notes from (1) to (20) form an integral part of these financial statements.

EFG - HERMES TELECOM FUND

Statement of Changes In Net Assets

For the Financial Year Ended December 31, 2007

	Year Ended 31/12/2007 US$	Year Ended 31/12/2006 US$
Change in Net Assets from Operations		
Net investment (loss) gain	(2 591 453)	791 738
Redemption fees	232 225	260 394
Net realized gains on sale of investments	22 627 532	25 419 949
Net unrealized (depreciation) of investments	(6 500 877)	(25 228 843)
Foreign currency exchange gain (losses)	272 912	(610 732)
Net Increase in Net Assets Resulting from Operations	**14 040 339**	**632 506**
Change in Net Assets from Capital Transactions		
Dividends to shareholders	-	(1 080 099)
Proceeds from sale of shares	9 118 501	2 372 150
Payments on redemption of shares	(46 445 030)	(52 078 746)
Net (Decrease) in Net Assets Resulting from Capital Transactions	**(37 326 529)**	**(50 786 695)**
Total (decrease) in net assets during the year	(23 286 190)	(50 154 189)
Net assets at the beginning of the year	**59 647 178**	**109 801 367**
Net assets at the end of the year	**36 360 988**	**59 647 178**

- The attached notes from (1) to (20) form an integral part of these financial statements.

EFG – Hermes Telecom Fund

Notes to the Financial Statements

As of December 31, 2007

1- Organization and activity

The EFG Hermes Telecom fund is a sub-fund of EFG-hermes Middle East and Africa Funds Limited, an umbrella fund incorporated as a mutual fund in Bermuda on 27th January, 2000.

The Telecom fund is being established for the purpose of providing shareholders with the opportunity of investing indirectly in telecommunications and other information technology companies in the Middle East and Africa. The principal investment objective in the management of the Telecom fund's investments will be long term capital appreciation. The fund will invest principally in listed and unlisted equity and equity-related securities of telecommunications media entertainment, information technology, internet, e-commerce and related infrastructure companies incoprporated or operating in Middle East and Africa.

2- Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis except for the financial instruments which are reflected at fair value.

3- Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

4- Adoption of new and revised standards

Standards and interpretations effective in the current period

In the current year, the fund has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the fund's financial instruments and management of capital.

5- Critical accounting judgments and key sources of estimation uncertainty

In the application of the fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates therefore those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6- Significant accounting policies

The principal accounting policies are set out below.

a- Foreign currencies

The financial statements of the fund are presented in US Dollar which is:
- The currency in which funds from financing activities are generated.
- The currency in which receipts from operating activities are usually retained.

However operations are mainly denominated in various currencies.

Transactions denominated in currencies other than the US Dollar, are translated to the US Dollar using the rate in effect at the date of the transactions. Monetary assets and liabilities denominated in currencies other than the US Dollar are retranslated based on the prevailing exchange rates at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the income statement in the period in which they arise.

b- Financial instruments

Financial instruments are comprised of financial assets and financial liabilities which are recognised on the balance sheet when the fund becomes a party to the contractual provisions of the instrument.

- **Financial assets**

  Investments are recognised and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

  The trade date is the date that the fund commits itself to purchase or sell an asset. Trade date accounting refers to the recognition of an asset to be received and the liability to pay for it on the trade date, and derecognizing of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment at that date. Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

  All financial assets are initially measured at fair value, including transaction costs.

  Financial assets are classified as financial assets 'at fair value through profit or loss' (FVTPL), investments in treasury bills and mutual funds and other financial assets. Other financial assets include monetary assets, mainly cash and cash equivalents and other debit balances, whose fair value is not materially different from the carrying amount. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- **Financial assets at FVTPL**

  Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. All FVTPL financial assets represent held for trading investments.

  A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; or it is a part of an identified portfolio of financial instruments that the fund manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

Held for trading financial assets are stated at fair value, with any resultant gain or loss, representing the difference between the market or estimated fair value of securities, on the day of valuation and average cost, recognised in the income statement.
Realized gains and losses on sale of held for trading investments are recognized, in the income statement, on the trade date as the difference between selling price, net of commissions and expenses, and the average cost. Fair value is determined in the manner described in note (4e).

- **Other financial instruments**

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, bank balances and short-term demand deposits that are readily convertible to known amounts of cash.

Receivables
Receivables are non-interest bearing and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Payables
Payables are non-interest bearing and are stated at their nominal value.

c- **Revenue recognition**
Revenue is measured at fair value of the consideration received or receivable.
Dividend income on equity securities is recognized when the shareholders' rights to receive payment have been established.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable during the period until maturity using the effective interest method.

d- **Impairment of financial assets**
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

e- **Fair value estimation**
The fair value of financial instruments that are traded in an active market is based on quoted market prices at the balance sheet date.
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that are based on market conditions existing at each balance sheet date.
As such, investments in listed securities are valued at fair value based on the weighted average of all prices during the last day such investments were traded on the stock exchange.
Unlisted securities and quoted securities for which a price is unavailable are valued at cost and will only be valued at higher price if deals are executed for an aggregate value equal to or exceeding L.E. 1,000,000 and will only be valued at lower price if deals are executed for an aggregate value equal to or exceeding L.E. 100,000.

f- **Taxation**
The taxation of income and capital gains of the Fund is subject to the fiscal laws and practices of Bermuda, United Kingdom and any other jurisdiction in which the Fund invests.

g- **Provisions**

Provisions are recognized when the fund has a present obligation (legal or constructive), arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits, the costs to settle related obligations are probable and a reliable estimate is made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised in the income statement as finance cost.

7- Cash and cash equivalent

	31/12/2007 U.S.$	31/12/2006 U.S.$
Banks - current accounts in USD	2 025 273	1 686 585
Banks - current accounts in EGP equivalent to USD	757 656	1 581
Banks - current accounts in other currencies equivalent to USD	3 470 745	66 137
	6 253 674	**1 754 303**

8- **Investments at fair value through profit or loss**

The breakdown of investments in equity securities portfolio is summarized as follows:

		As of 31/12/2007		As of 31/12/2006	
	Country (Region)	Fair Value US$	Percentage of Net Assets Value	Fair Value US$	Percentage of Net Assets Value
Listed securities					
Bahrain Telecommunications Company	Bahrain	2 641 793	7.27%	840 131	1.41%
The Egyptian Company For Mobile Services (Mobinil)	Egypt	2 169 626	5.97%	3 277 255	5.49%
Mobile Telecommunications Company	Kuwait	1 322 301	3.64%	9 385 793	15.74%
MTN	South Africa	1 712 949	4.71%	5 274 534	8.84%
National Mobile Telecommunications	Kuwait	--	0.00%	3 677 326	6.17%
Oman Telecommunication	Oman	1 447 620	3.98%	2 119 673	3.55%
Orascom Telecom GDS	Egypt	5 013 781	13.79%	11 454 465	19.20%
Paltel	Palestine	--	0.00%	2 527 751	4.24%
Qatar Telecom	Qatar	4 269 624	11.74%	5 387 329	9.03%
Qatar Telecom Dirhams	Qatar	956 741	2.63%	775 724	1.30%
Telecom Egypt	Egypt	--	0.00%	1 502 509	2.52%
Telecom Egypt GDS	Egypt	2 488 477	6.84%	1 666 253	2.79%
Telecom SA	South Africa	2 546 598	7.00%	3 531 992	5.92%
Etihad Etisalat	Saudia Arabia	3 195 233	8.79%	--	--
Saudi Telecom Co.	Saudia Arabia	2 288 704	6.29%	--	--
Total listed securities		**30 053 447**	**82.65%**	**51 420 735**	**86.21%**
Unlisted securities					
Africa Lakes Corporation	Pan Africa	--	0.00%	134 428	0.23%
Luxsat Middle East	Middle East	197 000	0.54%	197 000	0.33%
National Telecom Co.	Egypt	828 158	2.28%	800 083	1.34%
Mobile System International Cellular	Pan Africa	--	0.00%	1 098 400	1.84%
Thuraya Satellite Telecommunication	UAE	3 131 723	8.61%	3 131 211	5.25%
Total unlisted securities		**4 156 881**	**11.43%**	**5 361 122**	**8.99%**
Less:					
Provision for decline in securities					
Africa Lakes Corporation	Pan Africa	--	--	(134 428)	--
Luxsat Middle East	Middle East	(197 000)	--	(197 000)	--
Thuraya Satellite Telecommunication	UAE	(1 566 288)	--	--	--
		(1 763 288)	--	**(331 428)**	--
Total unlisted securities net of provision		**2 393 593**	**6.58%**	**5 029 694**	**8.43%**
Total		**32 447 040**	**89.24%**	**56 450 429**	**94.64%**

9- Other receivables and debit balances

	31/12/2007 U.S.$	31/12/2006 U.S.$
Equity dividends receivable	89 487	112 448
Accrued other revenue	69 126	--
	158 613	**112 448**

10- Accrued expenses

	31/12/2007 U.S.$	31/12/2006 U.S.$
Accrued management fees	89 467	278 672
Accrued custody fees	9 313	4 348
Accrued audit fees	9 000	6 000
Accrued directors fees	25 000	5 551
Accrued administration fees	--	3 667
Accrued incentive fees	1 708 318	16 852
	1 841 098	**315 090**

11- Management fees & incentive fees

Pursuant to the Management Agreement dated 29 March 2000, EFG-Hermes Financial Management Limited (Egypt) was appointed to act as the Fund's manager and to be responsible for the management of the Fund's investment portfolio. The Manager, which was incorporated in Bermuda on 19 July 1996, is a subsidiary of EFG-Hermes Holding, SAE. The Manager is entitled to receive management fees at an annual rate of 1.75 % of the net asset value calculated and accrued at the end of each month. Management fees for the year ended 31 December 2007 amounted to US$ 847 924 (US$ 1 282 333 for the year ended 31 December 2006).

In addition, the manager is entitled to receive from the fund in respect of each share in issue, a performance fee of 15 per cent of any out-performance of such share (in terms of movements in the net asset value and dividends paid in respect of such share) relative to a fixed hurdle rate of 10 per cent. Such fee is an annual fee, and is payable within 14 days following the valuation day in December of each year (save that, in respect of any share redeemed during the course of the year, such fee shall accrue on the valuation day on which such share is redeemed). Finally, the manager is also entitled to reimburse all reasonable out-of-pocket and third party expenses incurred in the performance of its duties. The manager is entitled to waive or rebate any part of its performance fee or annual management fee to any person who assists in the placing of shares in fund. Incentive fees for the year ended 31 December 2007 amounted to US $ 1 708 318 (US $ 16 852 for the year ended 31 December 2006).

12- Custody fees

Citibank was appointed pursuant to an agreement dated 29 March 2000, to act as the Fund's custodian. Under this agreement, the custodian has the power to appoint sub-custodians, agents or nominees and to delegate certain custodian and other functions where necessary.

Pursuant to this agreement the Fund has appointed the Hong Kong and Shanghai Banking Corporation Limited (HSBC), to provide custody services in Bahrain, Palestine and Qatar.

The United Gulf Bank was appointed to act as the Fund's custodian for securities listed in Kuwait.

In addition, American Express Bank was appointed to provide custody services for securities listed on London Stock Exchange.

On November 2001, the Fund appointed HSBC Investment Banking PLC, to provide custody services in South Africa.

The custodians are entitled to receive fees accrued on a monthly basis at rates varying according to the location, value, and type of assets held for the Fund. Such fees ranged from 0.045% to 0.47% per annum of the value of the assets held. This percentage reached 0.125% starting October 2004.

Additionally, custodians charge transaction fees at rates up to US$ 8 per transaction. Custody fees for the period ended 31 December 2007 amounted to US$ 78 826 (US$ 76 628 for the year ended 31 December 2006).

13- Administrator fees

MQ Services Limited, (Bermuda) was appointed pursuant to an agreement dated 29 March 2000 to act as the Fund's registrar and transfer agent in addition to rendering certain administrative and corporate secretarial services.

Starting 5 June 2002, the administrator charges fixed fees for its services at US$ 11,500 per annum instead of US$ 10,000 in addition to other invoiced charges.

Starting April 2007, the board director appointed APEX Fund service Ltd. to take the operations instead of MQ Service Ltd.

Administrator's fees for the year ended 31 December 2007 amounted to US$ 39 933 (US$ 29 202 for the year ended 31 December 2006)

14- Board of Directors fees

The Board of Directors is currently comprised of three directors, one being an employee of the administrator (Apex), and two independent directors.

Directors' fees charged to the Fund for the year ended 31 December 2007 amounted to US $ 23 090 (US $ 25 000 for the year ended 31 December 2006).

15- Share capital

According to the initial offer, no redemption or subscription in Telecom Fund shares was permitted until 31 December 2001. The number of shares subscribed upon the initial offer were (4 211 903 shares).

Following is a summary of subscriptions and redemptions during the current period:

	No. of shares
Outstanding shares as of 1 January 2007	**2 063 685**
Shares redeemed during the year	(1 384 374)
Shares issued during the year	270 142
Outstanding shares as of 31 December 2007	**949 453**

16- Distribution policy

Dividends, interest and other income received by the Fund will be applied first to the payment of fees and expenses. Any net income after payment of such fees and expenses shall be distributed to shareholders. The Fund may distribute a percentage of the Fund's net realized capital gain in addition to its net investment income from interest and dividends annually. Realized capital gains not distributed will be reinvested. Dividends, if any, will be declared annually and will be payable in cash or reinvested in additional shares of the same class at the subscription price per share, as of the payment date for such dividends or the immediately preceding valuation day. No front-end charges will be levied in connection with the reinvestment of dividends.

17- Taxation

Taxation of income and capital gains of the Fund is subject to the fiscal laws and practices of Bermuda, the United Kingdom (UK) and Egypt. The Fund had no transactions in any other jurisdiction, which may result in a material tax implication.

Bermuda

At the date of the explanatory memorandum, there was no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the fund, or shareholders, other than shareholders ordinarily resident in Bermuda. Neither the fund nor shareholders will be subject to stamp duty on the issue, transfer or redemption of shares.

The fund has obtained from the Minister of Financial of Bermuda under the exempted undertakings tax protection act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gains or appreciation of any tax in the nature of estate duty or inheritance tax, such tax shall not until 28th March, 2016 be applicable to the fund or to any of its operations, or to any of its shares, debentures or other obligations except in so far as such tax applies to persons ordinarily residing in Bermuda and holding such shares, debentures or other obligations of the fund.

United Kingdom

The Fund is not a resident in the UK as it is considered an offshore fund for the purpose of UK taxation. Also, the Fund is not deemed to carry on a trade in the UK by virtue of various exemptions, which are available to overseas persons such as the Fund dealing through UK brokers and investment advisors. Accordingly, the Fund is not subject to UK income tax or corporation tax. The Fund did not seek certification as a distributing fund in the UK. As a result, any gains arising from disposal of its shares will constitute income for purposes of UK taxation.

Taxation of investments

Investments held in the Middle East and Africa by the Fund may be subject to withholding and other taxes on the sale or transfer of such investments, and in respect to dividends or other income received from such investments.

18- Related party transactions

Due to the widespread operations undertaken by EFG-Hermes (Manager) and their affiliates, several transactions were conducted through one of the related brokerage houses. The deals, carried out with EFG-Hermes Group conducted by FBG represents 2.17% (ordinary placement) of total sales and purchases transactions for the year ended 31 December 2007. The said deals represented 7.99 % (ordinary placement) of total transactions for the period ended 31 December 2006.

19- Risk management

19-1 Use of financial instruments

The Fund's financial instruments consist primarily of cash and cash equivalents, investments in equity securities and receivables and payables arising from sale and purchase of securities.

19-2 Market risk

Investments in unlisted and smaller companies

The companies in which the telecom fund will invest may include small unlisted companies, and even many of the listed companies in which telecom fund invests will have a lower market capitalization than many companies listed in OECD countries.

Investments in the securities of smaller companies can involve greater risks than is customarily associated in larger, more established companies in particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in unlisted and in smaller listed companies is often less liquid than that for stock in larger listed companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

The fund's prospectus contains several rules and instructions that assist in reducing this risk to an acceptable level summarized as follows:

Conflicts of interest

In addition to the conflicts of interest it should be noted that due to the widespread operations of Detecon and their affiliates, employees and agents, further conflict could arise. Such companies may provide consulting service to companies in which the fund invests or to the companies which are competitors of such investee companies and/or with regard to legal, regulatory and other matters which could effect the value of the fund's investments. Detecon has agreed to seek to resolve any conflict that arises on an equitable basis having regard to its contractual obligations to the fund and other clients. In addition any such party could co-invest with the fund in any investment provided that the directors are satisfied that the fund's interests are not unfairly prejudiced and that satisfactory arrangements are in place to deal with any conflict of interest that could arise from such investment. In addition, the Manager may offer co-investment rights to other clients of the EFG-Hermes Group (which may include Shareholders in the Fund) provided that the Directors are satisfied that the fund's interests are not unfairly prejudiced and that satisfactory arrangements are in place to deal with any conflicts that could arise from such investment.

Telecommunication and information technology companies

- The manager will seek to capture the potential growth and opportunities presented by these development and reforms and provide investors with a means of participating in the rapidly developing fixed line, cellular, data and other telecommunication and information technology sectors.
- The investment may be in various countries in middle east and Africa and it may be made in telecommunications and information technology sectors also in related high technology, and communication companies in all such countries (subject to any applicable foreign investment restrictions). Such investments may include media and related entertainment stocks (e.g. in Cable TV companies), related infrastructure companies and internet related and e-commerce businesses.
- The manager may not for the time being acquire any investment if as a result, more than 50 per cent. of the Net Assets Value of the Telecom Fund is invested in companies established in any one country.
- The fund will operate as a passive investment vehicle and will not be involved in the day to day management of investee companies and assets , and will not take management and legal control of any such companies.

19-3 Currency risk

The fund invests primarily in securities denominated in various currencies but its net assets value is quoted in US dollars. Accordingly, a change in the value of various currencies against US Dollars can result in a corresponding change in the US Dollar Net assets value. The Manager does not hedge the foreign exchange risk and accordingly, investors will bear the risk of adverse movements in the various currencies /US Dollar foreign exchange rate as well as any such adverse movements in the US Dollar exchange rate with the investor's own base currency.

19-4 Credit risk

Credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Fund's counterparties are generally major brokerage firms.

19-5 Liquidity of shares risk

The ordinary shares are only redeemable on a quarterly basis and then subject to several limitations and restrictions referred to in the prospectus. Although the ordinary shares are listed on the Dubai Financial Market, the directors do not anticipate that an active secondary market will develop. Accordingly, it may not always be possible for a shareholder promptly to realize an investment at an appropriate price.

The fund's prospectus contains several rules and instructions that assist in reducing this risk to an acceptable level summarized as follows:

Pending investment or re-investment, in telecommunication securities, of the proceeds of the issue of shares or the proceeds of any realization of investments or distributions to shareholders, and to the extent otherwise considered appropriate by the directors for meeting cash needs, the fund invests all or a portion of its assets, not invested in telecommunication securities, in cash deposits, money market instruments and Egyptian or OECD government securities.

The fund's assets are denominated principally in Egyptian pounds and US Dollars.

20- Beneficial interests

As of 31 December 2007 out of the outstanding shares of 949 453 in EFG-Hermes Telecom Fund, the investment Director(s) and affiliates held the following beneficial interests in the shares of the Fund:

	Shares Held	Percentage of Outstanding Shares
Director		
Yasser Zaki Hashem	10 699	1.13%
Khaled Abu Botain	2 258	0.24%