EFG – Hermes Middle East and Africa Funds Limited Telecom Fund

Financial Statements and Auditors' Report
For the Six Months Ended June 30, 2008

Deloitte.

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Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying financial statements of EFG-Hermes Middle East and Africa Funds Limited - Telecom Fund as of June 30, 2008 which comprise the statement of assets and liabilities and the related statements of income, cash flows, changes in net assets for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the independent auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at June 30, 2008, its financial performance, cash flows, and changes in its net assets for the six month period then ended in accordance with International Financial Reporting Standards (IFRS).

Cairo, August 17, 2008

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

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Statement of Assets and Liabilities
As of June 30, 2008

	Note	30/6/2008 US$	31/12/2007 US$
Assets			
Brokers current accounts		234 853	2 293 125
Cash and cash equivalents	(7)	3 491 586	3 960 549
Financial assets at fair value through profit or loss (held for trading investments)	(8)	27 794 908	32 447 040
Receivables on sale of investments		1 106 455	-
Receivables and other debit balances	(9)	407 221	158 613
Total Assets		**33 035 023**	**38 859 327**
Liabilities			
Proceeds under subscription in the fund's shares		27 898	310 000
Payables on purchase of investments		613 774	347 241
Accrued expenses	(10)	180 307	1 841 098
Total Liabilities		**821 979**	**2 498 339**
Net Assets Value		**32 213 044**	**36 360 988**
Number of Outstanding Shares	(11)	**935 797**	**949 453**
Net Assets Value per Share		**34.42**	**38.30**

- The attached notes from (1) to (21) form an integral part of these financial statements.

Auditors' report attached.

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

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Income Statement
For the Six Months Ended June 30, 2008

	Note	Six Months Ended 30/6/2008 US$	Six Months Ended 30/6/2007 US$
Investment Income			
Interest income and other revenues		27 934	1 061 129
Dividend income		607 367	91 645
Total Investment Income		**635 301**	**1 152 774**
Expenses			
Management fees	(12)	299 424	510 974
Custody fees	(13)	17 600	52 361
Administrator fees	(14)	10 000	23 592
Board of directors fees	(15)	6 762	2 140
Incentive fees	(12)	-	1 276 121
Other expenses		45 304	57 042
Provision for decline in fair value of investment		-	1 431 860
Total Expenses		**379 090**	**3 354 090**
Net Investment Gain (Loss)		**256 211**	**(2 201 316)**
Redemption fees		7 190	53 698
Net realized gain on sale of investments		3 098 986	15 507 130
Net unrealized (loss) on investments		(7 035 902)	(3 437 759)
Gain from foreign currency exchange		4 277	(69 206)
Net Increase in Net Assets Resulting from Operations		**(3 669 238)**	**9 852 547**

- The attached notes from (1) to (21) form an integral part of these financial statements.

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund

Statement of Cash flows

For the Six Months Ended June 30, 2008

	Six Months Ended 30/6/2008 US$	Six Months Ended 30/6/2007 US$
Cash flows from operating activities		
Net (Decrease) Increase in Net Assets Resulting From Operations	(3 669 238)	9 852 547
Adjusted by:		
Net unrealized loss on valuation of investments	7 035 902	3 437 759
Operating profit before working capital changes	3 366 664	13 290 306
(Increase) Decrease in investments at fair value through profit or loss	(2 383 770)	7 923 922
(Increase) Decrease receivables on sale of investments	(1 106 455)	1 361 913
(Increase) Decrease in receivables and other debit balances	(248 608)	66 438
(Decrease) Increase in proceeds under subscription in the fund's shares	(282 102)	10 000
Increase (Decrease) in payables on purchase of investments	266 533	(581 441)
(Decrease) Increase in accrued expenses	(1 660 791)	1 244 227
Net cash resulted from (used in) operating activities	**(2 048 529)**	**23 315 365**
Cash flows from financing activities		
Proceeds from sale of certificates	959 293	5 129 384
Payments on redemption of certificates	(1 437 999)	(24 564 790)
Net cash provided from financing activities	**(478 706)**	**(19 435 406)**
Net change in cash and cash equivalents during the period	(2 527 235)	3 879 959
Cash and cash equivalents, beginning of the period	6 253 674	1 754 303
Cash and cash equivalents, end of the period	**3 726 439**	**5 634 262**
Cash and cash equivalent consists the flowing:		
Banks – current accounts	3 491 586	5 634 262
Brokers current accounts	234 853	--
Cash and cash equivalents, end of the year	**3 726 439**	**5 634 262**

- The attached notes from (1) to (21) form an integral part of these financial statements.

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Statement of Changes in Net Assets
For the Six Months Ended June 30, 2008

	Six Months Ended 30/6/2008 US$	Six Months Ended 30/6/2007 US$
Change in Net Assets from Operations		
Net investment income (loss)	256 211	(2 201 316)
Redemption fees	7 190	53 698
Net realized gain on sale of investments	3 098 986	15 507 130
Net unrealized (loss) on valuation of investments	(7 035 902)	(3 437 759)
Gain (loss) from foreign currency translation	4 277	(69 206)
Net (Decrease) Increase in Net Assets (Used for) Resulting from Operations	**(3 669 238)**	**9 852 547**
Change in Net Assets from Capital Transactions		
Proceeds from sale of shares	959 293	5 129 384
Payments on redemption of shares	(1 437 999)	(24 564 790)
Net (Decrease) in Net Assets (Used for) Capital Transactions	**(478 706)**	**(19 435 406)**
Total (decrease) in net assets during the Period	(4 147 944)	(9 582 859)
Net Assets at the Beginning of the Period	**36 360 988**	**59 647 178**
Net Assets at the End of the Period	**32 213 044**	**50 064 319**

- The attached notes from (1) to (21) form an integral part of these financial statements.

EFG – Hermes Middle East and Africa Funds Limited

Telecom Fund

Notes to the Financial Statements

For the Six Months Ended June 30, 2008

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 January 27, 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 incorporated 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 revaluation of financial instruments.

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 January 1, 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

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 multi currency.

Transactions denominated in currencies other than the Egyptian pound, are translated to the Egyptian pound using the rate in effect at the date of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for exchange differences arising on non-monetary assets and liabilities carried at fair value through profit or loss, where translation differences are recognized as part of changes in fair value.

b- Financial instruments

Financial instruments are comprised of financial assets and financial liabilities which are recognised in 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 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 (6e).

- **Other financial instruments**

Cash and cash equivalents

Cash and cash equivalents comprise cash on 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

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

The carrying value of these financial assets and Liabilities does not materially differ from their fair value at the balance sheet date. 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 EGP 1,000,000 and will only be valued at lower price if deals are executed for an aggregate value equal to or exceeding EGP 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 equivalents**

	30/6/2008	31/12/2007
	U.S.$	U.S.$
Banks - current accounts in USD	1 440 885	2 026 426
Banks - current accounts in EGP equivalent to USD	492 683	757 656
Banks - current accounts in other currencies equivalent to USD	1 558 018	1 176 467
	3 491 586	**3 960 549**

8- Held for trading investments

		As of 30/6/2008			As of 31/12/2007		
		Quantity	Fair Value US$	Percentage from Net Assets Value	Quantity	Fair Value US$	Percentage from Net Assets Value
Listed securities							
Bahrain Telecommunications Company	Bahrain	693 722	1 514 572	4.70%	1 028 000	2 641 793	7.27%
The Egyptian Company For Mobile Services (Mobinil)	Egypt	30 200	916 572	2.85%	58 400	2 169 626	5.97%
Mobile Telecommunications Company	Kuwait	262 733	1 590 996	4.94%	94 548	1 322 301	3.64%
MTN	South Africa	57 024	899 808	2.79%	90 824	1 712 949	4.71%
National Mobile Telecommunications	Kuwait	237 500	2 049 429	6.36%	--	--	0.00%
Oman Telecommunication	Oman	297 731	1 725 517	5.36%	325 131	1 447 620	3.98%
Orascom Telecom GDS	Egypt	24 207	1 549 248	4.81%	60 407	5 013 781	13.79%
Qatar Telecom	Qatar	86 123	4 524 942	14.05%	68 080	4 269 624	11.74%
Qatar Telecom Dirhams	Qatar	7 785	402 508	1.25%	14 950	956 741	2.63%
Telecom Egypt	Egypt	272 000	819 606	2.54%	--	--	0.00%
Telecom Egypt GDS	Egypt	62 772	988 659	3.07%	128 272	2 488 477	6.84%
Telecom SA	South Africa	122 400	2 195 133	6.81%	125 300	2 546 598	7.00%
Etihad Etisalat	KSA	322 396	4 600 007	14.28%	162 896	3 195 233	8.79%
Saudi Telecom Co.	KSA	--	--	0.00%	102 400	2 288 704	6.29%
Etisalat Swaps		300 000	1 596 831	4.96%	--	--	0.00%
Total Listed securities			**25 373 828**	**78.77%**		**30 053 447**	**82.65%**
Unlisted securities							
Luxsat Middle East	Middle East		197 000	0.61%		197 000	0.54%
National Telecom Co.	Egypt		856 327	2.66%		828 158	2.28%
Thuraya Satellite Telecommunication	UAE		3 131 041	9.72%		3 131 723	8.61%
Total unlisted securities			**4 184 368**	**12.99%**		**4 156 881**	**11.43%**
Less:							
Provision for decline in securities							
Luxsat Middle East	Middle East		(197 000)	--		(197 000)	--
Thuraya Satellite Telecommunication	UAE		(1 566 288)	--		(1 566 288)	--
			(1 763 288)	--		**(1 763 288)**	--
Total unlisted securities net of provision			**2 421 080**	**7.51%**		**2 393 593**	**6.59%**
Total		--	**27 794 908**	**86.28%**	--	**32 447 040**	**89.24%**

9- Receivables and other debit balances

	30/6/2008 U.S.$	31/12/2007 U.S.$
Equity dividends receivable	226 375	89 487
Accrued other revenue	--	69 126
Prepaid expenses	26 731	--
Other debit balances	154 115	--
	407 221	**158 613**

10- Accrued expenses

	30/6/2008	31/12/2007
	U.S.$	U.S.$
Accrued management fees	145 446	89 467
Accrued custody fees	6 711	9 313
Accrued audit fees	9 000	9 000
Accrued directors fees	17 825	25 000
Accrued administration fees	1 325	--
Accrued incentive fees	--	1 708 318
	180 307	**1 841 098**

- The accrued incentive fees outstanding balance as of December 31, 2007 was paid by the fund in February 7, 2008.

11- Share capital

According to the initial offer, no redemption or subscription in Telecom Fund shares was permitted until December 31, 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 January 1, 2008	**949 453**
Shares redeemed during the period	(38 933)
Shares issued during the period	25 277
Outstanding shares as of June 30, 2008	**935 797**

12- Management fees & incentive fees

Pursuant to the Management Agreement dated March 29, 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 July 19, 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 financial period ended June 30, 2008 amounted to US$ 299 424 (US$ 510 974 for the financial period ended June 30, 2007).

In addition, the manager is entitled to receive from the fund, in respect of each share in issue, a performance fee of 15 percent 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 percent. Such fee is an annual fee, and is payable within 14 days following the valuation day in December of each year (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. The management was not entitled to receive incentive fees for the financial period ended June 30, 2008 (US$ 1 276 121 for the financial period ended June 30, 2007).

13- Custody fees

Citibank was appointed pursuant to an agreement dated March 29, 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 financial period ended June 30, 2008 amounted to US$ 17 600 (US$ 52 361 for the financial period ended June 30, 2007).

14- Administrator fees

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

Starting June 5, 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 of Directors appointed APEX Fund service Ltd. to take the operations instead of MQ Service Ltd.

Administrator's fees for the financial period ended June 30, 2008 amounted to US$ 10 000 (US$ 23 592 for the financial period ended June 30, 2007).

15- 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 financial period ended June 30, 2008 amounted to US$ 6 762 (US$ 2 140 for the financial period ended June 30, 2007).

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 March 28, 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 6.78% (ordinary placement) of total sales and purchases transactions for the year ended June 30, 2008. The said deals represented 0.2 % (ordinary placement) of total transactions for the period ended June 30, 2007.

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

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 percent 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 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 June 30, 2008, out of the outstanding shares of 935 797 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 from Outstanding Shares
Directors		
Yasser Zaki Hashem	10 699	1.14%
Khaled Abu Botain	2 258	0.24%

21- Comparative Figures:

Comparative figures were reclassified to comply with current year presentation.