EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund

Report on review of interim financial information
For the six months ended June 30, 2010

Deloitte.

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Review report on interim financial information

To: The Shareholders of EFG – Hermes Telecom Fund

Introduction

We have reviewed the accompanying balance sheet of EFG – Hermes Telecom fund Limited "the fund" as of June 30, 2010 and related statements of income, changes in net assets and cash flows 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. 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.",and the fund's prospectus.

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 and 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 present fairly, in all material respects the financial position of the fund as at June 30, 2010 and its financial performance and cash flows for the six months then ended in accordance with International Financial Reporting Standards.

Cairo,
August 16, 2010

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, 2010

	Note	30-6-2010 USD	31-12-2009 USD
Assets			
Cash held with brokers	(6)	431 508	2 055 500
Cash at banks	(7)	2 602 062	1 360 168
Financial assets at fair value through profit or loss			
Held for trading investment	(8)	18 000 000	18 892 241
Debtors and other debit balances	(9)	65 126	76 593
Total Assets		**21 098 696**	**22 384 502**
Liabilities			
Payables on purchase of investments		–	476 709
Accrued expenses	(10)	172 589	145 473
Total Liabilities		**172 589**	**622 182**
Net Assets Value		**20 926 107**	**21 762 320**
Number of Outstanding Shares	(11)	**746 132**	**771 992**
Net Assets Value per Share		**28,05**	**28,19**

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

- Independent Auditor's review report attached.

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Income Statement
For the Six Months Ended June 30, 2010

	Note	Six months Ended 30/06/2010 USD	Six months Ended 30/06/2009 USD
Investment Income			
Interest income and other revenues		2 186	2 256
Dividend income		565 141	1 630 042
Total Investment Income		**567 327**	**1 632 298**
Expenses			
Management fees	(12)	187 939	179 642
Custody fees	(13)	16 871	14 332
Administrator fees	(14)	16 525	15 451
Board of directors fees	(15)	--	51 884
Other expenses		83 451	59 077
Incentive fees		1 545	--
Total Expenses		**306 331**	**320 386**
Net Investment Gain		**260 996**	**1 311 912**
Redemption fees			
Net realized gain (loss) on sale of investments		53 446	(2 372 619)
Net unrealized (loss) gain on investments		(241 217)	3 470 821
Gain from foreign currency exchange		(163 749)	130 619
Net (Decrease) Increase in Net Assets Resulting from Operations		**(90 524)**	**2 540 733**

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EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Statement of Cash Flow
For the Six Months Ended June 30, 2010

	Six months Ended 30/06/2010 USD	Six months Ended 30/06/2009 USD
Cash flow from operating activities		
Net (decrease) increase in Net Asset Resulting From Operation	(90 524)	2 540 733
Adjustaed by:		
Net unrealized gain (loss) on valuation of investment	241 217	(3 470 821)
Net realized (loss) on sale of held for trading investments	(53 446)	(2 372 619)
Operating profit before working capital changes	**97 247**	**(3 302 707)**
Decrease in investments at fair value through profit or loss	704 470	1 385 550
Decrease in receivable on sale of investments	--	201 439
Decrease (Increase) In receivables and other dabit balances	11 467	(613 947)
(Decrease) In payables on purshase of investments	(476 709)	(212 080)
Increase In accrued expenses	27 116	2 663
Net cash resulted from (used in) operating activities	**363 591**	**(2 539 082)**
Cash flow from financing activities		
Proceeds from sale of certificates	--	999 986
Payments on redemption of cetificates	(745 689)	(988 139)
Net cash (used in) financing activities	**(745 689)**	**11 847**
Net change in cash and cash equivalents during the period	(382 098)	(2 527 235)
Cash and Cash Equivalents - Beginning of the Period	**3 415 668**	**6 253 674**
Cash and Cash Equivalents - End of the Period	**3 033 570**	**3 726 439**
Cash and Cash Equivalents consists the following:		
Banks - current account	431 508	3 491 586
Cash held with brokers	2 602 062	234 853
Cash and Cash Equivalents end of the period	**3 033 570**	**3 726 439**

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EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Statement of Changes in Net Assets
For the Six Months Ended June 30, 2010

	Six months Ended 30/06/2010 USD	Six months Ended 30/06/2009 USD
Change in Net Assets from Operations		
Net investment income	260 996	1 311 912
Net realized (loss)gain on sale of investments	53 446	(2 372 619)
Net unrealized gain (loss) on valuation of investments	(241 217)	3 470 821
Gain from foreign currency translation	(163 749)	130 619
Net (Decrease) Increase in Net Assets (Used for) Resulting from Operations	**(90 524)**	**2 540 733**
Change in Net Assets from Capital Transactions		
Proceeds from sale of shares	--	999 986
Payments on redemption of shares	(745 689)	(988 139)
Net increase (Decrease) in Net Assets from Capital Transactions	**(745 689)**	**11 847**
Total increase (decrease) in net assets during the period	(836 213)	2 552 580
Net Assets at the beginning of theperiod	**21 762 320**	**20 043 192**
Net Assets at the end of the period	**20 926 107**	**22 595 772**

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EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Notes to the Financial Statements
For the period ended June 30, 2010

1- General information

The EFG Hermes Telecom Fund (The 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 is to provide investors with return in the form of long-term capital appreciation. The Fund is investing 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 under the historical cost basis except for the financial instruments which are stated at fair value, cost or amortized cost, as appropriate.

3- Statement of compliance

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

1 Adoption of new and revised International Financial Reporting Standards

1.1 Standards and Interpretations effective in the current period

Recent accounting pronouncements

The Fund adopted amendments to International Accounting Standard 1 Presentation of Financial Statements (2007) ("IAS 1"), which introduces non-mandatory terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. IAS 1 requires that all items of income and expense be presented either: in a single statement (a 'statement of comprehensive income'), or in two statements (a separate 'income statement' and a 'statement of comprehensive income'). The Fund has elected to present a single statement of comprehensive income.

Participating shares

In the current period, the Fund adopted amendments to IAS 32: Financial Instruments: Presentation "IAS 32" relating to the classification of certain puttable financial instruments issued by an entity. Under the amendments, if certain conditions are met, an entity is required to classify such financial instruments as equity. Prior to the amendments, IAS 32 required an entity to classify such financial instruments as liabilities. Upon adoption, the Fund reclassified all of its issued Participating Shares from liabilities to equity. Such balances are presented on the statement of financial position as "net assets".

New Interpretations	
IFRIC 17	Distributions of Non-cash Assets to Owners

1.2 Standards and Interpretations not yet adopted

At the date of authorization of these financial statements, the Fund has not adopted the following Standards and Interpretations that have been issued but are not yet effective. They will be effective for annual periods beginning on or after the dates described below.

(i)	New and Revised Standards	Effective from
IFRS 9	Financial Instruments – Covering classification and measurement of financial assets, as the first part of its project to replace IAS 39	1 January 2013
IAS 24	Related Party Disclosures — Revised definition of related parties	1 January 2011
IAS 32	Financial Instruments: Presentation — Amendments relating to classification of rights issues	1 February 2010
Various	Improvements to IFRS 2010	Various

(ii)	New Interpretations	Effective from
IFRIC 14	Amendment with respect to voluntary prepaid contributions	1 January 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

4- 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.

4.1. Critical judgments in applying accounting policies

The directors have not made critical judgements when applying the entity's accounting policies, apart from those involving estimations (Note 4-4.2), that have the most significant effect on the amounts recognised in financial statements.

4.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of derivatives and other financial instruments

As described in (Notes 5g and 19), the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied (Note 5g). For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates. The carrying amount of the shares is USD 2.367 million (2009: USD 2.397 million) as disclosed in Note (8).

5- Significant accounting policies

The principal accounting policies set out below have been consistently applied in the preparation of the financial statements for all periods presented:

a- Foreign currencies

The Fund's net assets value is quoted in US Dollar and as such, the financial statements of the fund are presented in US Dollar; the currency in which its cash flows from financing activities are invested or generated and in which receipts from operating activities are usually retained. However, operations are mainly denominated in multi currency.

Transactions denominated in currencies other than the US Dollar, are translated to US Dollar 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 comprise 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 recognized and derecognized on the 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, 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. Fair value is determined in the manner described in (Note 5g).

Financial assets are classified as financial assets 'at fair value through profit or loss' (FVTPL), which include held for trading investments while other financial assets include cash and cash equivalents and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets classified as FVTPL

Financial assets are classified as FVTPL where the financial asset is either held for trading or it is designated as 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 resulting 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 profit or loss.

Realized gains and losses on sale of held for trading investments are recognized, in profit or loss, on the trade date, as the difference between the selling price, net of commissions and expenses, and average cost.

Other financial assets

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. However, for the purpose of preparing the cash flow statement, cash held with brokers are also considered since the Fund has full access to cash balances held at the broker banks accounts.

Receivables

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

c- **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 asset 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 recognized in profit or loss.

d- **Derecognition of financial assets**

The Fund derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

e- **Financial liabilities and equity instruments issued by the Fund**

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Share capital

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The redeemable shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each monthly redemption date and also in the event of the Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:
it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
it is in the class of instruments that is subordinate to all other classes of instruments;
all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.
The Fund's redeemable shares meet these conditions and are classified as equity.
Incremental costs directly attributable to the issue or redemption of redeemable shares are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

Payables
Trade payables are short-term non-interest bearing financial liabilities. Payables are stated at their nominal value.
According to the basis of recognition and measurement disclosed above, the Directors of the Fund do not expect the carrying amount of the financial assets and liabilities to be materially different from their fair value at the balance sheet date.

Other financial liabilities
Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities
The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.
Other financial liabilities include payables and accrued expenses. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Payables
Trade payables are short-term non-interest bearing financial liabilities. Payables are stated at their nominal value.
The carrying amount of the financial assets and liabilities does not materially differ from their fair value at the balance sheet date.

f- Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Dividend income on equity securities is recognized when the holders' 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.

g- 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.

h- 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.

i- 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 recognized 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 recognized in profit or loss as finance cost.

6- Cash held with brokers

	June 30, 2010 USD	December 31, 2009 USD
EFG-Hermes (AED)	36 559	36 558
Vision (OMR)	6 510	163 499
Kamco (KWD)	186 717	1 378 818
ICAP Securities (USD)	149 750	10 939
Kamco (Other currencies)	1 217	465 686
	380 753	**2 055 500**

7- Cash at banks

	June 30, 2010 USD	December 31, 2009 USD
Banks - current accounts (USD)	1 996 367	1 215 994
Banks - current accounts (QAR)	283 831	8 771
Banks - current accounts (MAD)	176 816	30 254
Banks - current accounts (other currencies)	195 802	105 149
	2 652 816	**1 360 168**

8- Investments at fair value through profit or loss

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

	Country (Region)	As of June 30, 2010			As of December 31, 2009		
		Quantity	Fair Value USD	Percentage of Net Assets Value	Quantity	Fair Value USD	Percentage of Net Assets Value
Listed securities							
Access Kenya	Kenya	3 139 400	778 793	3,72%	–	–	–
Bahrain Telecommunications Company	Bahrain	–	–	–	21 238	33 237	0,17%
Mobile Telecommunications Company	Kuwait	290 000	1 117 688	5,34%	–	–	–
MTN	South Africa	179 300	2 360 748	11,28%	87 200	1 389 684	6,93%
Maroc Telecom	Morocco	98 400	1 606 486	7,68%	100 900	1 735 239	8,66%
Oman Telecommunication	Oman	–	–	–	7 400	24 987	0,12%
Orascom Telecom	Egypt	895 000	782 606	3,74%	393 792	1 803 343	9,00%
Qatar Telecom	Qatar	70 852	3 179 482	15,19%	70 852	2 823 184	14,09%
Telecom Egypt	Egypt	251 400	694 802	3,32%	251 400	829 537	4,14%
Telecom SA	South Africa	–	–	–	253 100	1 281 237	6,39%
Etihad Etisalat	Saudia Arabia	80 770	1 031 757	4,93%	150 694	1 205 631	6,02%
Etisalat Sawps	Saudia Arabia	–	–	–	44 617	516 264	2,58%
Etihad Etisalat P-Notes	Saudia Arabia	135 141	1 726 293	8,25%	51 941	601 010	3,00%
Raya Holding	Egypt	–	–	–	90 000	94 669	0,47%
Starcomms PLC	Nigeria	112 666 705	1 669 694	7,98%	104 691 348	1 225 484	6,11%
Vodacom Group Ltd	South Africa	–	–	–	240 400	1 835 658	9,16%
Vox Telecom	South Africa	17 505 000	684 591	3,27%	8 757 385	366 964	1,83%
Vodafone Qatar	Qatar	–	–	–	315 800	728 469	3,63%
Total listed securities			15 632 940	71,0%		16 494 597	82,3%
Unlisted securities							
Luxsat Middle East	Middle East	100 000	197 000	0,94%	100 000	197 000	0,98%
National Telecom Co.	Egypt	182 675	801 881	3,83%	182 675	832 551	4,15%
Thuraya Satellite Telecommunication	UAE	5 111 111	3 131 468	14,96%	5 111 111	3 131 382	15,62%
Total unlisted securities			4 130 349	19,74%		4 160 933	20,76%
Less:							
Allowance for decline in securities							
Luxsat Middle East	Middle East		(197 000)	–		(197 000)	–
Thuraya Satellite Telecommunication	UAE		(1 566 289)	–		(1 566 289)	–
Total allowance for decline in securities			(1 763 289)	–		(1 763 289)	–
Total unlisted securities net of allowance			2 367 060	11,31%		2 397 644	11,96%
Total			18 000 000	86,02%		18 892 241	94,26%

9- Other debit balances

	June 30, 2010 USD	December 31, 2009 USD
Equity dividends receivable	65 126	76 593
	65 126	**76 593**

10- Accrued expenses

	June 30, 2010 USD	December 31, 2009 USD
Accrued management fees	94 574	90 762
Accrued Incentive fees	1 545	--
Accrued custody fees	--	525
Accrued audit fees	15 000	9 000
Accrued directors fees	19 500	17 825
Accrued administration fees	16 525	1 325
Accrued Dividend's tax	25 445	--
	172 589	**119 437**

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 year:

	No. of shares 2010	No. of shares 2009
Outstanding shares as of January 1	**771 992**	**781 812**
Shares redeemed during the period	(25 860)	(48 821)
Shares issued during the period	--	39 001
Outstanding shares as of June 30	**746 132**	**771 992**

12- Management and Performance 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 Period ended June 30, 2010 amounted to 187 939 USD (USD 179 642 for the Period ended June 30, 2009).

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 the Fund. The Performance fees for the Period ended June 30, 2010 amounted to USD 1 545. (USD 51 884 for the Period ended June 30, 2009) .

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 has changed to 0.125% starting October 2004.

Additionally, custodians charge transaction fees at rates up to USD 8 per transaction. Custody fees for the Period ended June 30, 2010 amounted to USD 16 871 USD (USD 14 332 for the Period ended June 30, 2009.

14- Administrator fees

Starting April 2007, the Board of Directors appointed APEX Fund Service Ltd. to act as the fund registrar and Administrator's fees for the Period ended June 30, 2010 amounted to USD 16 525 (USD 15 451 for the Period ended June 30, 2009).

15- Board of Directors fees

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

No Directors' fees were charged to the Fund for the Period ended June 30, 2010. (USD 51 884 for the Period ended June 30, 2009).

16- Distribution policy

Dividends, interest and other income received by the Fund shall apply first for 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, are declared annually and paid 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), Middel East and Africa. The Fund had no transactions in any other jurisdictions, 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. 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 trade activities 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 the 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

EFG-Hermes - the Fund manager - and its group and affiliates, are the major related parties of the Fund. Management fees incurred during the period and payable to the Fund manager amounted to USD 94 574. In addition, due to the widespread operations undertaken by EFG-Hermes Group and its affiliates, the Fund has conducted a number of transactions through related brokerage houses. The deals, carried out with EFG-Hermes Group conducted by Financial Brokerage Group, represent 2.5% (ordinary placement) of total sales and purchases transactions for the Period ended June 30, 2010. The said deals represented 35.3 % (ordinary placement) of total transactions for the Period ended June 30, 2010.

The Fund does not hold any shares as of June 30, 2010 in EFG-Hermes Holding.

19- Financial instruments and 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.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in (Note 5) to the financial statements. The following table illustrates categories of financial instruments and their carrying amounts at the date of the financial statements:

Categories of financial instruments

	30/6/2010 USD	31/12/2009 USD
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading investments	18 000 000	18 892 241
Receivables and other debit balances	65 126	76 593
Cash and cash equivalents (including brokers current accounts)	3 033 570	3 415 668
Financial liabilities		
Other financial liabilities		
Other liabilities at amortized cost	172 589	622 182

19-2 Financial risk management objectives

The investment manager co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to its operations based on the degree and magnitude of risks. These risks include market risk (including currency risk, fair value, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The investment manager seeks to minimize the effects of these risks by complying with policies and procedures sufficient to address these risk exposures. The use of these policies and procedures is governed by the Fund's prospectus approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with those policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

19-2.1 Market risk

Investments in unlisted companies

The companies in which the Telecom Fund invests may include small unlisted companies, and even many of the listed companies in which Telecom Fund invests may 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.

Several rules and instructions are set in the prospectus to assist in reducing this risk to an acceptable level and is summarized as follows:

Telecommunication and information technology companies

The manager seeks to capture the potential growth and opportunities presented by these development and reforms and provide investors with 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 operates as a passive investment vehicle and is not involved in the day to day management of investee companies and assets, and does not take management and legal control of any such companies.

All security investments present a risk of loss of capital. The maximum risk is determined by the fair value of the securities held by the Funds.

19-2.2 Currency risk

The Fund invests primarily in securities denominated in multi currencies but its net assets value is quoted in the US Dollar. Accordingly, a change in the value of various currencies against US Dollar 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. The table below indicates the foreign currencies to which the Fund had significant exposure as at June 30, 2010 in US Dollar terms:

Currency	Total Exposure (000s) in USD	Impact on Net Assets(000s) USD
Arab Emarites Dirham	3 168	158.40
Egyption Pound	3 564	114.16
Kuwait Dinar	1 381	65.22
Oman Rial	188	0.33
Qatar Rial	3 560	173.17
Saudi Rial	2 789	138.02
Morocco	1 765	89.17
Zar	4 874	152.27
Other currencies	138	132.02
	20 454	1 022.74
As a percentage of Net assets	98%	5%

As at June 30, 2010, if the US Dollar, had strengthened or weakened by 5% in relation to other currencies, with all other variables held constant, the net assets value would have decreased or increased, respectively, by approximately (in 000s) USD 1 023 (approximately 5% of net assets value). In practice, the actual trading results may differ from the above approximate sensitivity analysis amounts and the differences could be material.

19-2.3 Credit risk

Credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The credit risk is somehow limited as the Fund's counterparties are generally major brokerage firms. In addition, no investments in debt securities are held by the Fund as of June 30, 2010.

19-2.4 Liquidity of shares risk

The ordinary shares are only redeemable on a quarterly basis and then are subject to several limitations and restrictions. 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.

Several rules and instructions are set in the prospectus to assist in reducing this risk to an acceptable level such as, 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 pound and US Dollar.

As at June 30, 2010the Fund's outstanding number of shares was 746 132.
If 5% of these shares had been redeemed within one month from the date of the financial statements, it would be settled by USD 1 046 305 which may be covered by the cash and cash equivalents as of June 30, 2010, with all other variables held constant.

The actual trading results may differ from the above approximate sensitivity analysis amounts and the differences could be material.

20- Beneficial interests

As of June 30, 2010, out of the outstanding 746 132 shares of EFG-Hermes Telecom Fund, the investment Directors held the following beneficial interests in the shares of the Fund:

Directors	Shares Held	Percentage from Outstanding Shares
Yasser Zaki Hashem	7 500	0.97%
Khaled Abu Botain	2 258	0.29%

21- Comparative figures

Comparative figures were reclassified to comply with current year presentation.