EFG-Hermes Telecom Fund
July 2006

Dear Shareholder,

Your telecom sector resumed its known heightened activity resulting in a positive 5.1% return to your Fund during July. Continued acquisitions and new licenses awarded at increasingly rich valuations provide telecom players especially in your Fund's portfolio with a high upside potential.

In a continuous search for new opportunities, the most expensive Greenfield telecom license in the region (USD 2.9 Billion) was awarded for Egypt's third mobile license and first 3G license. The Etisalat led consortium won the license in a highly competitive bid between 11 international and regional consortia. The deal's multiples highlight a revaluation of the upside potential of your Fund's investments; reaching more than 50% for regional players such as OT, your second largest holding.

MTC, your Fund's largest holding, released strong half year results during the month of July. The company's customer base stood at 22.9 million subscribers, which represented a growth rate of 116% over the same period last year. In terms of financial performance, the company reported growth rates of 121% and 55% for revenues and net income respectively. With the company currently operating in 20 developing countries across 2 continents, we remain bullish on MTC's growth prospects.

Also releasing results during the month was Qatar based operator Q-Tel. The company's subscriber base totalled 1.2 Million, which represented a growth rate of 76.5% over the corresponding period last year. In terms of financials, the company reported revenue and net income figures that showed growth rates of 50.3% and 47.9% respectively and exceeded your Fund manager's expectations. This strong performance is expected to be exceeded in the fourth quarter of 2006 as Qatar will be hosting the Asian Games in December, this should result in increased roaming revenues for the company. More impressively, the company was able to capture 25% of the Omani Mobile market through its Nawras operations in a little over 12 months. With the company maintaining the highest EBITDA margin in our universe (62.9%), we expect the stock to outperform its regional peers.

In the continuous rivalry between the two mobile operators of Egypt, Vodafone made significant gains over Mobinil during the first half of 2006. Vodafone was able to capture more than 65% of Egypt's new subscribers. Additionally, Vodafone's revenue and net income figures exceeded MobiNil's figures by 15.3% and 51.6% respectively. This coupled with the expansion of Vodafone's EBITDA margin by 100 basis points, to reach 51.2%, indicates that Vodafone has the operational efficiency and strategy to attain the market leader position in Egypt. MobiNil's management has stressed that they are up to the challenge of reversing this trend during the second half of the year. The company remains affected by the recent change of management that impacted the company's operational performance and resulted in a stock price decline.

With attractive valuations and high growth rates that are still prevalent in your regional telecom sector, in addition to the revaluation of several companies' upside potential, your Fund is poised to outperform in the coming 12 month period.

Objective

The EFG-Hermes Middle East and Africa Funds Limited is an investment company incorporated in Bermuda for the purpose of providing Shareholders with the opportunity of investing indirectly in the Middle East and Africa.

EFG-Hermes Telecom Fund is the first sub-fund to be established by the Company. The Telecom Fund invests in listed and unlisted equities and equity-related securities of telecommunications, media, entertainment, information technology, internet and e-commerce companies and related infrastructure companies established or operating in the Middle East and Africa.

Fund Information

NAV per share	USD 23.97
Launch Date	April 2000
Listing	Dubai Financial Market
Structure	Open End
Dividends Distributed	Mar 02: US$ 0.25, Aug 03: US$ 0.25, Jul. 04: US$ 0.12, Aug 05: US$ 1
Management fees	1.75%
Incentive fees	15% of outperformance
Benchmark	10% p.a. with high watermark

Investment Information

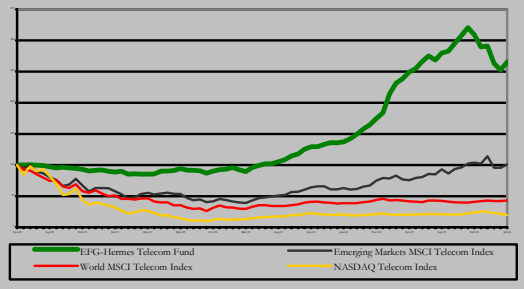
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	-13.8%
1 Month	5.1%
3 Months	-8.8%
1 Year	-0.28%

Risk Overview	
No. Years ▲	4
No. Years ▼	2
Best Yr ▲	67.3%
Worst Yr ▼	-10.7%

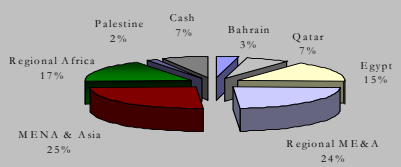
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
MTC	Regional ME & Africa	18.9%
Orascom Telecom	Regional MEA & Asia	18.8%
MTN	Regional Africa	8.9%
NMTC	Regional MENA	6.8%
Q-Tel	Qatar & Oman	6.7%

Country Allocation



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

ENQUIRIES:
Mrs. Maha Baligh, e-mail: mbaligh@efg-hermes.com
Ms. Yasmin I. Hassan, e-mail: yibrahim@efg-hermes.com
Tel: 202-3365960 Fax: 202-3365589