The EFG-Hermes Middle East & Africa Telecom Fund
October 2010

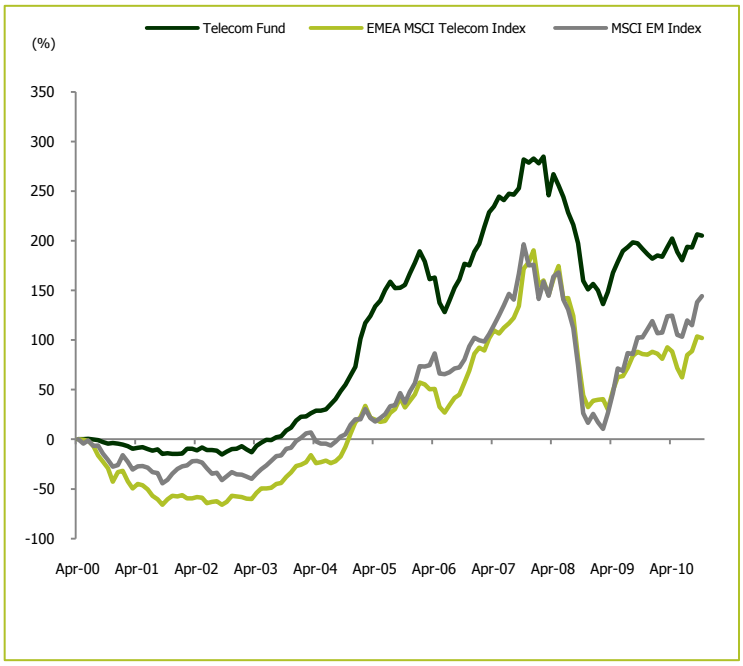
Fund Manager's Strategy & Outlook

The EFG-Hermes Telecom Fund declined by 0.4% for the month of October as investors awaited the results of the FOMC quantitative easing measures. As markets continue to anticipate the additional liquidity by the Federal Reserve, and hence weakening the dollar, commodity prices increased leading the broader regional indices higher. The telecom sector lagged the broader market as investors booked profits and re-allocated capital to higher beta sectors. Despite this relative underperformance, improving financial results and increased M&A activity in the sector bode well for the future.

During the month, Qatari and Saudi Arabian investments contributed the bulk of positive returns as our holdings in those markets reported strong earnings. Qatar Telecom (Q-Tel) released Q3 results that showed YoY growth in Revenues, EBITDA and Net Income of 14%, 15% and 4% respectively. Moreover, as the company finalized the IPO of its Omani unit Nawras, investors bought in aggressively.

Saudi operator Etihad Etisalat continued to beat market expectations with the release of a robust set of numbers for Q3. Revenues, EBITDA and Net Income increased by 14%, 29% and 41% respectively over the same period as last year. The company continues to benefit from the growth in the broadband segment as it drives higher margin data traffic across its network. With the Hajj season (typically the company's busiest period) coinciding with Q4, expectations are elevated for end of year figures.

As we head into the final two months of the year, increased M&A activity is expected to provide impetus for the sector. With the UAE based Etisalat offering more than USD10 bln for Zain Group recently, implying an EV/EBITDA multiple of more than 10x, the sector is due for a re-rating. The regional telecom sector currently trades at 5.5x EV/EBITDA, providing scope for this increase in multiples. The EFG-Hermes Telecom Fund is well positioned to capture this growth going forward.



EFG-Hermes Asset Management

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

E-mail: AMsales@efg-hermes.com

Objective

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

Fund Performance

Returns	Telecom Fund
Month to Date*	-0.4%
YTD	8.3%
2009	9.9%
2008	-33.1%
2007	32.5%
2006	4.0%
2005	60.6%

Returns	Telecom Fund
1 year	4.6%
3 year	-20.1%
5 year	19.5%
Since Inception	205.3%

*Performance figures are reflective of the period from September 30th, 2010 to October 28th, 2010

Fund Characteristics

No. of Holdings	13
Wtd. Market Cap	USD 10.6 billion
Dividend Yield*	3.9%
P/E Ratio 10	10.5x

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

Fund Metrics*

Beta	0.3
Standard Deviation	13.7%
Information Ratio	0.7

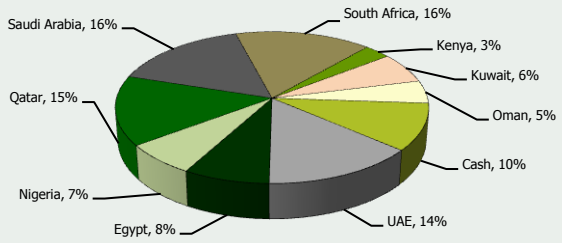
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Qatar Telecom	Qatar	14.8%
Thuraya Satellite Telecom	UAE	14.1%
MTN	South Africa	11.0%
Etihad Etisalat	Saudi Arabia	10.8%
StarComms PLC	Nigeria	6.8%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 30.53
No. of Share Certificates	728,858
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.4%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN	BMG294021073
Bloomberg Ticker	EFGHTEL BH

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