The EFG-Hermes Middle East and Developing Africa (MEDA) Fund Limited

August 31, 2006

Asset Management

MONTHLY REPORT

Fund Manager's Strategy & Outlook

veni, vidi, vici?

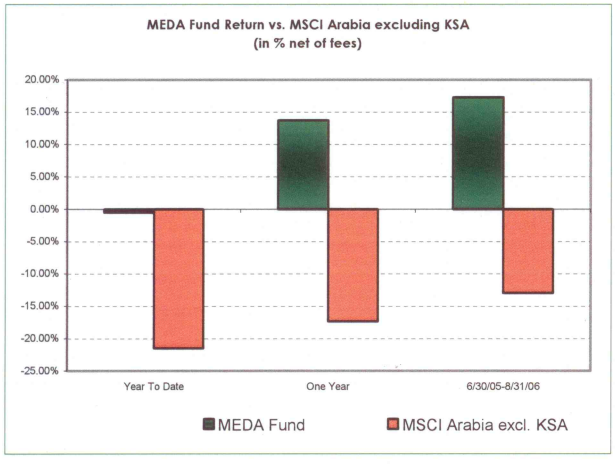
The summer ended on a high note for the MEDA Fund with most markets reporting positive MTD returns. The MEDA Fund recovered most of the ground it lost earlier in the year after it gained more than 5% this month.

One of the catalysts for the relief rally was the announcement of a ceasefire in Lebanon and the decline in regional political tensions. Investors waiting on the sidelines began injecting accumulated cash back in amidst a general sentiment that markets were oversold in previous months. Subsequently, we witnessed a surge in liquidity with most regional bourses witnessing higher volumes and improved performance.

In anticipation of a potential consolidation, we had increased our equity exposure significantly by adding to our holdings across the board. Special emphasis was placed on Egypt and the UAE, which enabled the Fund to take advantage of the rally that both markets witnessed, as the former gained 8.6% and the latter12.6%. We have also added to our positions in Kuwait as we still believe that it is trading at an unjustified discount to its peers with comparable fundamentals.

We also reshuffled our positions in Qatar in order to better capture a potential recovery in a market that continued to underperform- the only market in the MENA universe which closed in negative territory, dropping 2.2% this month. We had reduced our exposure to Lebanon prior to the full outbreak of the conflict and continue to believe in a Lebanese recovery story post-conflict.

Going forward, we believe that the positive sentiment recently injected into the markets may very well continue in the months to come. We anticipate retaining our high exposure to the regional markets for the time being while continuing to overweight select core positions. While positive momentum has found its way back into the markets, we now need to see full proof before declaring victory.



Objective

Long term capital appreciation through investing in listed Middle East and North African equities and equity related securities.

Fund Performance

Returns	MEDA Fund	MSCI Arabia excl- KSA	Difference
Month to Date	5.30%	7.27%	-1.97%
Year to Date	-0.84%	-21.50%	20.66%
One Year	13.38%	-17.32%	30.70%
6/30/05-8/31/06	16.92%	-12.96%	29.88%

(*) Index history began 06/30/05

Fund Information

NAV per share	USD 22.46
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management fee	1.4%
Incentive fee	15% over 10%
Expense ratio	2.2%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG294041030
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

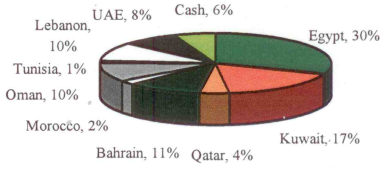
Fund Characteristics

No. of Holdings	34
Wtd. Market Cap.	$2,518,472
P/E Ratio	12.43x
Beta	0.20
Sharpe Ratio	0.53
Tracking Error	0.04

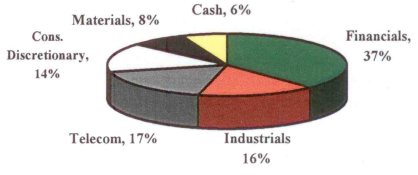
Top Holdings (%)

Holding	Country	% of NAV
Al Ahli United Bank	Bahrain	6.40%
MTC	Kuwait	5.37%
Olympic Group	Egypt	4.68%

Equity Allocation By Country



Equity Allocation By Economic Sector



Hashem Montasser
Head of Regional Asset Management
Tel: 9714- 3634041
Fax: 9714- 3621171
e-mail: hmontasser@efg-hermes.com

Karim Nehma
Fund Manager
Tel: 9714-3634044
Fax: 9714-3621171
e-mail: knehma@efg-hermes.com

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 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.

EFG - Hermes