EFG-Hermes Telecom Fund
March 2006

Dear Shareholder,

The month of March witnessed a continuation of the year's negative correction which started in February. Capital markets across the region continued to shed gains made in 2005 as investors continued to rebalance their portfolios. The beginning of April saw a reversal of this trend as markets became more attractive fundamentally.

Your largest holding, Orascom Telecom (OT), announced 2005 results showing a year on year increase of 42% and 78% in operating income and net income respectively. Despite increasing the company's subscriber base to 30.4 million, average revenue per user (ARPU) dilution in most of the company's markets disappointed compared to analysts' expectations, and thus negatively affected the stock's performance during the month. The Fund Manager remains confident of the company's potential in its current markets with high growth in subscribers and lower ARPU dilution. In addition, OT provides its investors with the potential of accessing new markets and/or the addition of a bigger share of its current holdings enhancing its consolidated earning per share figure.

MTC, your Fund's second largest holding, outperformed its local market by more than 12%. The stock's performance was supported by the company's news flow in February, announcing a 55% increase in 2005 net income and the purchase of the remaining stake in Mobitel, the first mobile operator in Sudan. MTC received an extension for its Iraqi license and is expected to bid for longer terms through the Iraqi telecom bid expected before the end of 2006.

MTN, the leading African telecom operator, announced a subscriber base of 23.2 million across its different African operations, representing an increase of 9 million subscribers compared to March 2005 figures. Strong macroeconomic indicators in South Africa and Nigeria bode well for the company's future growth potential as GDP per capita approached an all time high. These indicators will soon be reflected in consumer spending and thus on telecom forecasts in these markets. With the acquisitions in Iran, Ivory Coast, and Zambia completed during 2005, the company's strategy of becoming a leading regional telecom operator is clearly highlighted. The Iranian market has a large population of 69 million, a high GDP per capita of US$2,554 while having a relatively low mobile penetration rate of 11%. Accordingly, the Iranian operation, which is expected to commence in the third quarter of 2006, should play a key role in maintaining the company's excellent performance.

The deadline for bids for Egypt's third mobile license is in May '06 and most regional operators are highly enthusiastic and thus we anticipate a competitive bid. Among the bidders are the two Kuwaiti mobile operators, MTC and NMTC, the Egyptian fixed line operator, Telecom Egypt, the Qatari telecom operator, Q-Tel, the Bahraini telecom operator, Batelco and the South African operator, MTN along with Raya, the Egyptian IT conglomerate. Your Fund is set to benefit from the final results of the bid through its holdings in any of the above companies.

The Fund Manager is expecting a revival in the telecom sector during the course of the year as a result of the new telecom licenses offered in Egypt and Saudi Arabia in addition to the privatizations of some of the telecom operators in Kenya and Ghana.

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 26.14
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

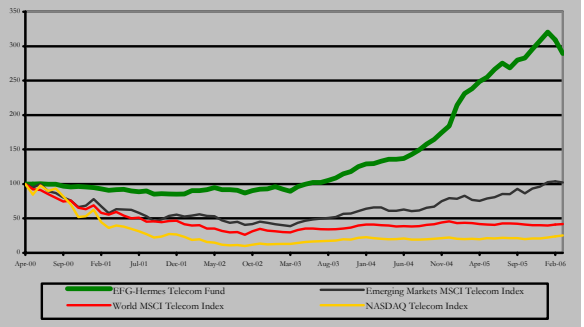
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	-5.9%
1 Month	-6.3%
3 Months	-5.9%
1 Year	21.4%

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

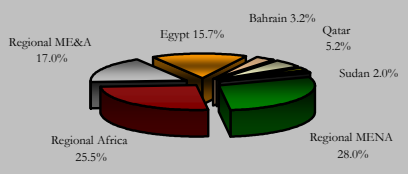
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
Orascom Telecom	Regional MEA & Asia	18.3%
MTN	Regional ME&A	17.6%
MTC	Regional ME & Africa	17.0%
NMTC	Regional MENA	9.7%
Telkom SA	Regional Africa	6.6%

Country Allocation



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