المجموعة المالية - هيرميس
EFG HERMES

The EFG-Hermes Middle East & Africa Telecom Fund
October 31st, 2008

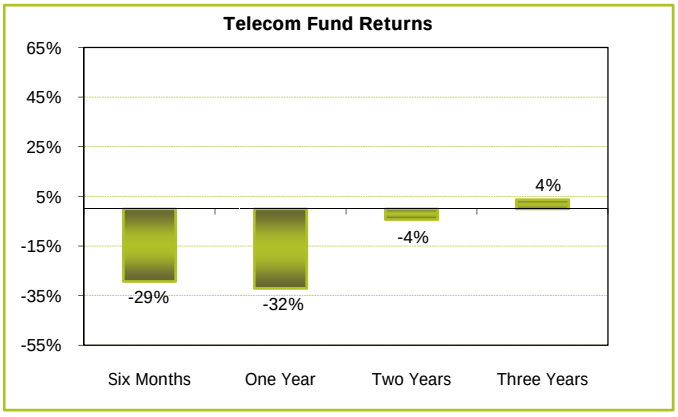
Fund Manager's Strategy & Outlook

As the global economic fallout continued through October, the EFG-Hermes Telecom Fund maintained its relative outperformance losing 12.7% bringing its YTD return to -32.2%. Comparatively, the MSCI EMEA Telecom Services index is down 19% for the month and 47.2% for the year. The MSCI Arabia's returns of -22.3% for the month and -44.8% for the year also highlight this relative outperformance. With increased risk and a global slowdown being priced in across all asset classes, investors are beginning to reallocate to the regional telecom sector to take advantage of its defensiveness. With encouraging results being released throughout the month, this view appears to be well-founded.

Qatar Telecom (Q-Tel), the Fund's largest holding, released strong Q3 results during the month that highlight the effect of recent acquisitions and the turnaround of several operations. Revenues, EBITDA, and net income were up 113%, 115%, and 58%, respectively, over the same period last year. With this being the first quarter that the Indosat operations were fully consolidated, it is clear that that transaction is bearing fruit for the company. Several key operations, particularly in Algeria, are beginning to turn around and record a second consecutive quarter of profits. With the company announcing a healthy dividend (6.4% yield) and given its discounted valuation (PE08 7.7x; PE09 7.1x), the investment case remains compelling.

In Saudi Arabia, Etihad Etisalat (Mobily) also released strong Q3 results during the month. Revenues, EBIT and net income increased 32.8%, 30.8% and 73.0%, respectively, over the same period last year. The company, which has a 40% market share of the mobile market, recently completed a 40% rights issue in order to raise capital to fund its continued network roll-out and expansion into the lucrative data segment. With the Kingdom having less than 5% broadband penetration, there is significant scope for growth that the company is well-positioned to capture.

It has become clear that in an increasingly uncertain global environment, the telecom sector is being viewed as a defensive play. Given its high cash flow generation and the robust demand for mobile services—particularly in regions with an underdeveloped fixed line infrastructure—the sector is poised to outperform. The Fund's investment universe encompasses some of the least penetrated and fastest growing markets in the world, which warrant a premium to the global telecom sector. With the regional sector trading at a relative discount, and given the higher dividend yields and stronger balance sheets, the investment opportunity has become increasingly attractive.



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STANDARD &POOR'S FUND MANAGEMENT RATING

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	-12.7%
Year to Date	-32.2%
Six Months	-29.2%
One Year	-32.0%
Two Years	-4.3%
Three Years	3.7%

Fund Information

NAV per Share	USD 25.98
No. of Share Certificates	826,474
Launch Date	April, 2000
Listing	Dubai Financial Market
Structure	Open Ended
Management Fee	1.75%
Incentive Fee	15% of out-performance
Benchmark	10% with a high watermark
Expense Ratio	2.3%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN	BMG294021073
Sedol	0-415-433
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
Bloomberg Ticker	EFGHTEL BH

Fund Characteristics

No. of Holdings	14
Wtd. Market Cap (mm)	USD 4,889
P/E Ratio 08	8.5x
Beta	0.3 *
Sharpe Ratio	0.6
Standard Deviation	14.3%*

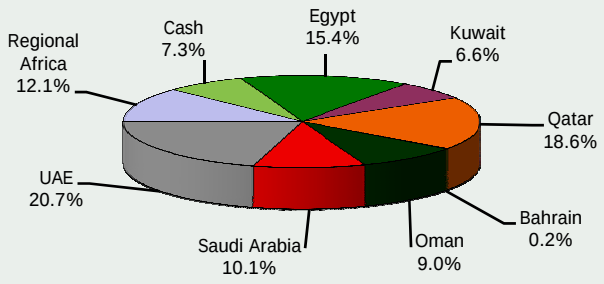
* Calculated against the MSCI EMEA Telecom Index

Top Holdings

Holding	Country *	% of NAV
Qatar Telecom	Qatar	18.6%
Thuraya Telecom	UAE	14.6%
Etihad Etisalat	Saudi Arabia	10.2%
Oman Telecom	Oman	9.1%
Telekom South Africa	Regional Africa	7.9%

* Country assigned by primary listing

Allocation by Country



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.