The EFG-Hermes Middle East & Africa Telecom Fund
December 2011

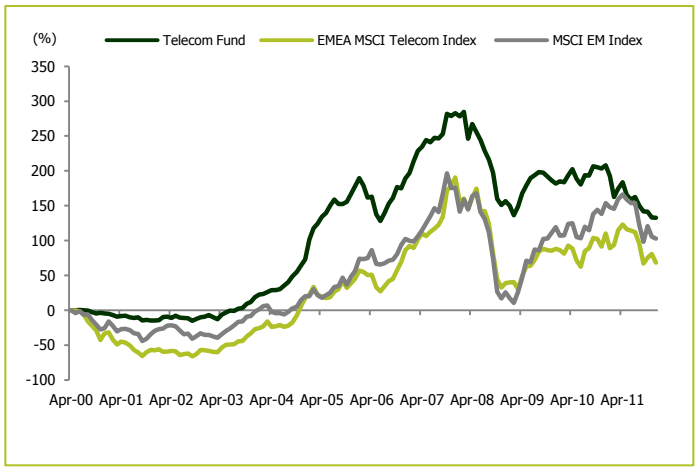
Fund Manager's Strategy & Outlook

The EFG-Hermes Telecom Fund declined by 0.3% in December to bring its 2011 return to -24.5%. This compares to a 19.1% decline in the MSCI EMEA Telecom Services index. Keeping in mind the volatile state of our region in 2011, and given certain situations pertaining to the fund, the return is inline. In a year that witnessed revolutions across the Arab world (Egypt, Syria, Libya, Tunisia, Yemen) and subsequent market turmoil, it was always going to be difficult to generate returns. These local events occurring against the backdrop of a European debt crisis compounded the adverse situation and affected returns. Finally, as the fund fully wrote off its investment in Thuraya during 2011, returns came under even more pressure.

During the year, our investment in Saudi Arabia (Etihad Etisalat) contributed positively to the fund. The mobile operator continues to reap the benefits of the underpenetrated data market in the Kingdom by offering superior mobile data offerings as compared to the competition. Furthermore, with the company past its peak CAPEX cycle, free cash flow should improve over the next 2 years paving the way for higher dividends.

Conversely, holdings in Nigeria and Egypt contributed negatively to yearly returns (Ex Thuraya) and were a drag on performance. In Nigeria, Starcomms continues to suffer from heavy finance costs and lower uptake of CDMA services. Coupled with both a precarious social and political situation in Nigeria, the company's value proposition is quickly fading. Although the value of its network is significantly higher than its market cap, it remains to be seen whether this replacement value can be crystallized. The investment manager will be watching the situation closely. In Egypt, Orascom Telecom suffered from the political situation and its ongoing dispute with the Algerian government. However, during December, a light at the end of the tunnel appeared in the form of a statement by the Algerian government stating that they will buy a stake in the company's Algerian unit from OT's parent, Vimplecom. The local shares, which the fund hold, have been suspended since November 24 as the company awaits regulatory approval for a spin-off of its Egyptian and North Korean divisions. However, the GDR listing has still been trading and the stock is up 40%+ since the news broke, which bodes well for the fund given that it's one of the top holdings.

As we enter 2012, we have re-focused our efforts in finding value for investors. We have taken large positions in several quality companies in the sector trading at significant discounts to fair value. The investment manager is bullish on the fund's prospects going into the new year and is confident of generating positive returns.



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*	-0.3%
Year to Date	-24.5%
2010	9.2%
2009	9.9%
2008	-33.1%
2007	32.5%
2006	4.0%
2005	60.6%

Returns	Telecom Fund
1 year	-24.5%
3 year	-9.3%
5 year	-19.5%
Since Inception	132.6%

* MTD figures reflect performance between November 30th, 2011 and December 29th, 2011.

Fund Characteristics

No. of Holdings	8
Wtd. Market Cap	USD 5.1 billion
Dividend Yield*	4.2%
P/E Ratio 10	7.0x

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

Fund Metrics*

Beta	0.3
Annualized Standard Deviation	14.1%
Annualized Information Ratio	13.2%

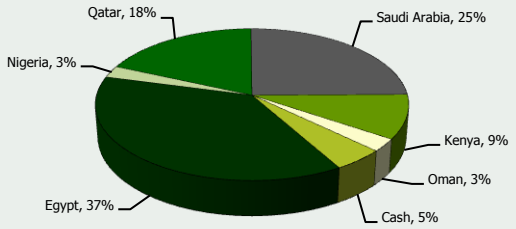
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Etihad Etisalat	Saudi Arabia	19.4%
Orascom Telecom	Egypt	17.4%
Qatar Telecom	Qatar	14.2%
Access Kenya	Kenya	7.5%
Telecom Egypt	Egypt	6.9%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 23.26
No. of Share Certificates	680,182
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.5%
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.