المجموعة المالية - هيرميس

EFG HERMES

The EFG-Hermes Middle East & Developing Africa (MEDA) Fund
December 31st, 2008

Fund Manager's Strategy & Outlook

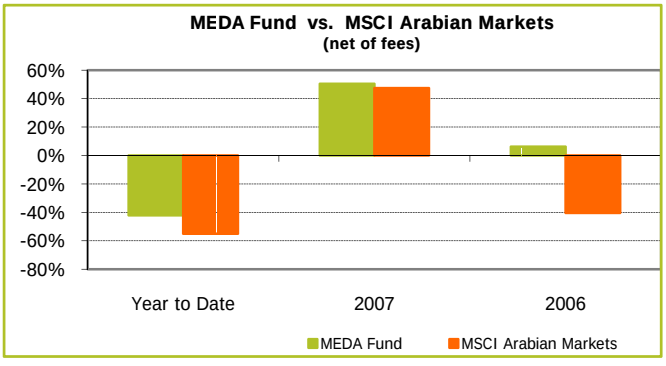
The MEDA Fund gained 8.6% in December ending the year at -42.1%. The second half of 2008 can be described as one of gloom in contrast to the euphoria the markets experienced during the first half of the year. A correcting real estate sector, frozen credit markets, declining oil prices (from a record of $147 to less than $40) and plummeting confidence in the face of allegations of financial irregularities in the real estate and banking sectors contributed to the mass exodus by foreign and local investors. Weak performance was apparent across the board with Dubai, Saudi Arabia, and Egypt capping the year at -72%,-57%, and -56%, respectively.

During the first half of the year, ripe economic conditions in the Gulf led the way for an economic transformation which was supported by an emphasis by policymakers on diversifying their economies, supporting openness and improving market regulation. Infrastructure names were a large focus in the Fund due to record current account surpluses, technical bottlenecks resulting from years of underinvestment, and a growing population base. Furthermore, financial services names were also in vogue given the supportive underpinnings, namely strong population growth, and negative real interest rates across the GCC which were conducive for loan growth both at the corporate and retail levels.

The ensuing second half of the year was not as fortunate for the MENA region. As global conditions became more onerous, the ensuing financial crisis caused systemic shocks across the world. The MENA region was impacted and liquidity shortages became apparent as lending froze and consequently real estate and construction activity slowed. The Investment Manager's views have changed noticeably since then in order to adapt for this new economic reality, and subsequently adopted a more defensive stance to help cushion the downtrend by raising cash and rotating out of the more cyclical names into more defensive areas. This strategy has helped the Fund outperform the broader market.

In December, the Fund's allocation to Qatar and Egypt significantly helped the performance in otherwise weak markets. The Egyptian market experienced its first positive month rising 9% following seven consecutive months of unrelenting declines. The Fund's diversified holdings in Qatar performed very well given the broad rally which took place in the market which gained 13%. The Saudi market was also a positive contributor ending up 1%; the Investment Manager believes that significant inefficiencies still exist in the Saudi market and will continue to position the Fund accordingly. Furthermore, the Saudi macro environment is expected to remain robust despite lower oil prices supported by the Kingdom's planned infrastructure investment of more than USD400 billion over the next five years and its foreign asset reserves of USD 400+ billion (as of September 08.)

As 2008 comes to a close, the MENA markets have undoubtedly experienced indiscriminate selling on the back of one of the worst years for global markets in recent memory. Almost by definition, this carnage has created bargains for those who have the patience to wait through the turbulence for the dislocations to subside. Stock selection will be imperative in 2009 as is a fundamental grasp of the macro drivers that underpin the MENA economies. Overall, the Investment Manager remains positive on the MENA region over the coming year as local governments continue to invest their accumulated wealth in key areas of their economies in order sustain growth.



Hashem Montasser – Head of Asset Management

Karim Nehma – Fund Manager

Mohamed Abdel Halim – Senior Vice President
Tel: 9714-363 4047 / Fax: 9714-362 1171
e-mail : AMsales@efg-hermes.com

STANDARD &POOR'S AA FUND MANAGEMENT RATING

Objective

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

Fund Performance [1]

Returns	MEDA Fund	MSCI Arabian Markets	Difference
Month to Date	8.6%	-0.8%	9.4%
Year to Date	-42.1%	-55.0%	12.9%
2007	50.5%	47.4%	3.1%
2006	6.2%	-40.4%	46.5%
2005	60.9%	NA	NA
2004	52.7%	NA	NA

[1] MTD fund and index figures reflect performance from November 28th – December 31st, 2008

Fund Information

NAV per Share	USD 20.95
No. of Share Certificates	18,412,261
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management Fee	1.4%
Incentive Fee	15% over 10%
Expense Ratio	1.9%
Minimum Subscription	USD 10,000
Subscription / Redemption	Monthly

Fund Identifiers

ISIN (Class A shares)	BMG294041030
ISIN (Class C shares)	BMG294042020
Sedol	0-675-970
Reuters Code	LP65037105
Bloomberg Ticker	EFGMEAF BH

Fund Characteristics

No. of Holdings	21
Wtd. Market Cap (mm)	USD 6,913
P/E Ratio 09	5.7x
Beta	0.7
Information Ratio*	1.2
Standard Deviation*	18.0%

*Calculated vs. MSCI Arabian Markets since index inception in June 2005

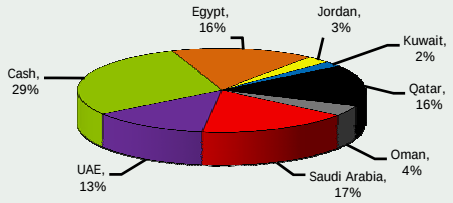
Asset Allocation

Equity	61%
Fixed Income	10%
Cash	29%

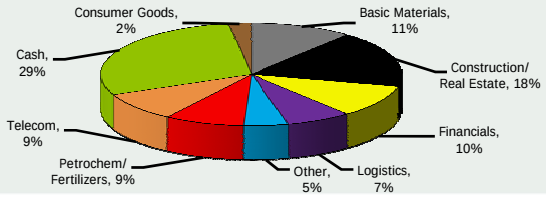
Top 5 Equity Holdings

Holding	Country	% of NAV
Qatar Gas Transport	Qatar	4.8%
Industries Qatar	Qatar	4.7%
Orascom Construction Industries	Egypt	4.0%
Telecom Egypt	Egypt	3.9%
Arabtec	UAE	3.6%

Allocation By Country



Allocation By Economic Sector



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.