EFG-Hermes Telecom Fund
August 2006

Dear Shareholder,

Telcos are back in the game!

The month of August witnessed the renewal of the previously strong performance and trading activity of the telecom sector. Subsequently your Fund gained 5.5% during the month as a result of its allocation in outperforming stocks.

Orascom Telecom, your Fund's largest holding, released strong first half results during the month of August highlighting the company's ability in extracting operational efficiencies. Total subscribers grew at a tremendous rate of 93% during the last 12 months. Revenues and EBITDA grew by 36% and 41% respectively. More impressively, the company was able to maintain its dominant position in its largest markets (Algeria & Pakistan) while expanding the EBITDA margin by 130 basis points from the corresponding period last year to reach 49.8%. With renewed interest coming from international investors, the company's share price appreciated by 12% during the month of August. Even with this heightened activity, the company's valuation remains attractive as it is currently trading at a PE of 11.0x and an EPS growth rate 28.3% for 2007. We remain bullish on the stock as the company maintains its operational excellence and continues in its search for attractive growth opportunities.

Telecom Egypt, the country's sole fixed-line provider, also released half year results during the month. Subscribers grew at a rate of 9% year over year while ARPU remained flat at LE 55.6. With regards to financials, revenues and EBITDA grew by 9% and 6% respectively, while an industry leading EBITDA margin of 56% was maintained. The company was also able to grow its bottom line by 7% to record net income of LE 1.026 Billion, which was in line with our expectations. Although there has been a delay in its Algerian operations, we expect the company to rebound by maintaing in its market leadership in ADSL.

Your Fund's third largest holding, MTN, also released half year results during the month. While the South African company has yet to consolidate Investcom, its latest investment, into its accounts after the accquisition, it was still able to report fairly strong results. In the 6 months since the company changed its financial year-end to December, it grew its subscriber base by 9.4% to reach 25.4 million subscribers. In terms of financials, the company's revenues and net income increased by 17.6% and 21.3% respectively over the equivalent period last year. In terms of EBITDA, the company was able to raise the group margin by 120 basis points to reach 42.9%. These results were reflected in the perfomance of the share price, which appreciated by 4.4% during the month of August. With the consolidation of Investcom expected at year end and with the company trading at an attractive valuation (11.1x PE'06, EV/EBITDA 4.3x '06), we maintain our positive stance on the company.

Given the sector's impressive growth rate, valuations remain attractive. As the sector enters a period of consolidation, and with a host of new listings and licenses in the pipeline, your management expects a continuation of the heightened activity in the coming months.

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 25.28
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

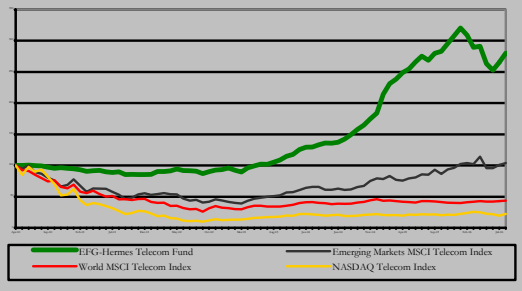
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	-9.0%
1 Month	5.5%
3 Months	6.4%
1 Year	1.7%

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

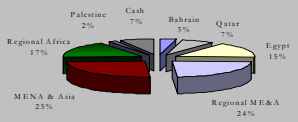
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
Orascom Telecom	Regional ME & Asia	22%
MTC	Regional ME & Africa	20%
MTN	Regional Africa	9%
Q-Tel	Qatar & Oman	8%
Telekom SA	South Africa	6%

Country Allocation



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 Middle East and Africa Funds 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.

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