المجموعة المالية هيرميس
EFG HERMES

The EFG-Hermes Middle East & Africa Telecom Fund
December 2010

Fund Manager's Strategy & Outlook

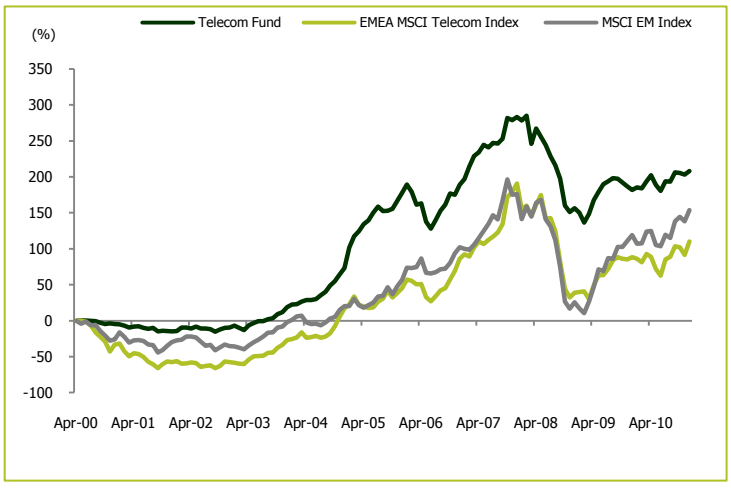
The EFG-Hermes Telecom Fund ended the year on a strong note, rising 1.5% for the month to bring its 2010 return to 9.2%. Global markets ended the year emphatically as a broad based rally was witnessed across all markets and sectors. A positive outlook amongst global investors with regards to 2011 is apparent, as fears of a double dip and continuing European debt contagion subside. Strong expectations for Q4 results bid up telecom sector valuations during the month, as investors began to position themselves for 2011. During the month, holdings in Saudi Arabia, Kuwait and Oman provided positive performance to the fund while African investments held returns back.

Etihad Etisalat and Saudi Telecom Company (STC) ended the year strongly as investors positioned themselves to take advantage of the busy Hajj season in Saudi Arabia. The fourth quarter is typically the busiest for Saudi operators as it coincides with the Hajj season. With millions making the pilgrimage to the Holy city of Mecca, operators' roaming revenues typically surge during this period as visitors utilize the Saudi operators' networks. With swine flu affecting the 2009 Hajj season, expectations for the 2010 season are strong and initial indications support this view. The Fund is well positioned to take advantage of any rally in the sector.

In Kuwait, the Zain/Etisalat deal has still not been finalized, as investors await some sort of closure. Despite several law suits and concerted efforts by some local shareholders to block the deal, the momentum seems to be heading towards a swift conclusion and the share price during the month reflected that. Although the Investment Manager is concerned about minorities being able to participate in the deal, and the high level of retail speculation that has added volatility to the share price, this is unfortunately a facet of investing in an under-regulated market like Kuwait. Despite these concerns, the Investment Manager is confident with regards to this position.

Nawras, the fund's newest holding, has been the standout stock in Oman since its listing. The shares are up nearly 20% since listing and the EFG-Hermes Telecom Fund has been well positioned throughout. With the operator moving towards an integrated platform where mobile and fixed voice are offered along with data services, the expectations for margin expansion are significant. Furthermore, as the company now operates its own international gateway, it will have increased pricing power with customers, enabling it to consolidate its 40+% market share in Oman. Add to that an attractive valuation and the potential for increasing dividends, the Investment Manager believes this to be a healthy value proposition.

As we look forward to the New Year, we remain cautiously optimistic on the prospects of the regional telecom sector. Attractive valuations and a strong M&A appetite persist in the sector, giving the Investment manager confidence with regards to potential performance. The Fund continues to add new holdings and will continue to do so as we enter 2011.



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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*	1.5%
YTD	9.2%
2009	9.9%
2008	-33.1%
2007	32.5%
2006	4.0%
2005	60.6%

Returns	Telecom Fund
1 year	9.2%
3 year	-19.6%
5 year	10.8%
Since Inception	207.9%

*Performance figures are reflective of the period from November 30th, 2010 to December 30th, 2010

Fund Characteristics

No. of Holdings	12
Wtd. Market Cap	USD 11.4 billion
Dividend Yield*	3.6%
P/E Ratio 10	10.7x

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

Fund Metrics*

Beta	0.3
Standard Deviation	13.6%
Information Ratio	0.6

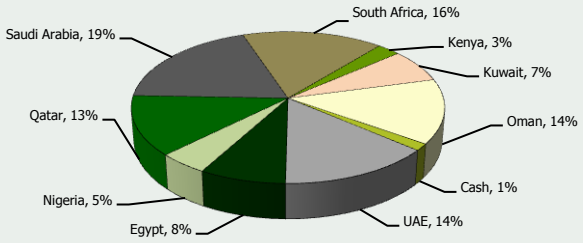
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

Top Five Equity Holdings

Holding	Country*	% of NAV
Etihad Etisalat	Saudi Arabia	19.2%
Thuraya Satellite Telecom	UAE	14.1%
Nawras	Oman	13.7%
Qatar Telecom	Qatar	12.8%
MTN	South Africa	11.0%

* Country assigned by primary listing

Allocation by Country



Fund Data

NAV per share	USD 30.79
No. of Share Certificates	720,412
Launch Date	April 2000
Management Fee	1.75%
Incentive Fee	15%
Benchmark	10% with a high watermark
Expense Ratio	2.4%
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.