EFG-Hermes Telecom Fund
December 2006

Dear Shareholder,

Despite a turbulent year across regional markets, the EFG-Hermes Telecom Fund ended the year in positive territory, gaining 5.8% on a total return basis for 2006. In a year that was characterized by high volatility in most markets across our regional universe and the majority of global emerging markets, The Fund has recorded its fifth consecutive year of positive absolute returns.

Our strategy of focusing on regional operators with high growth potential continues to pay off, especially during the second half of the year, as The Fund soared 28.3% to reverse losses recorded during the first half of the year.

The highest contributor to the Fund's performance during the month was Orascom Telecom (OT). The regional operator's share price appreciated by 13.4%, mostly due to increased news flow regarding its Hutchison Telecom International (HTL) investment and the impending sale of said company's 67% stake in Indian mobile operator Hutch Essar. OT, in partnership with Qatar Telecom, The Fund's third largest holding, has signalled its intent to bid for the Indian asset, despite stiff competition from Vodafone International and others. The transaction is expected to be the biggest in the history of global telecoms, with a price range of US$ 14-18 billion mentioned. Regardless of who succeeds in the bidding war, OT will benefit through its 20% holding in HTL.

The second contributor to The Fund's performance during the month was the South African based operator, MTN, which operates in numerous markets across our regional universe. The combination of a stronger than expected currency and the full effects of the Investcom consolidation had not been fully factored in, and subsequently, the stock gained 16.5% during December. During the period of Rand weakness in late September, speculators had purchased put options in the form of three month forward contracts, expecting the company to suffer from currency weakness due to its overdependence on ZAR denominated revenues prior to the Investcom transaction. The sharp appreciation of the South African Rand during December caught short sellers by surprise, forcing them to cover their positions.

With several new licenses and privatizations expected during the first half of the year, and with the continued up tick in M&A activity in the sector, the manager remains optimistic about the potential opportunities in the region. During the upcoming year, new licenses are expected to be awarded in Saudi Arabia, Qatar, Kuwait, Lebanon, and Iraq, amongst others. Furthermore, confirmed privatizations in Algeria and Tunisia are expected to attract investors' attention and will add to the increased activity within the sector.

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 28.90
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, Nov06: US$ 0.5
Management fees	1.75%
Incentive fees	15% of outperformance
Benchmark	10% p.a. with high watermark

Investment Information

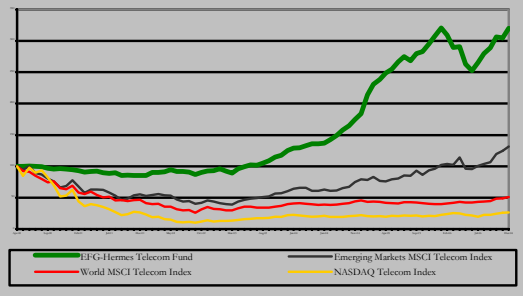
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	5.8%
1 Month	7.0%
3 Months	12.6%
1 Year	5.8%

Risk Overview	
No. Years ▲	5
No. Years ▼	2
Best Yr ▲	67.3%
Worst Yr ▼	-10.7%

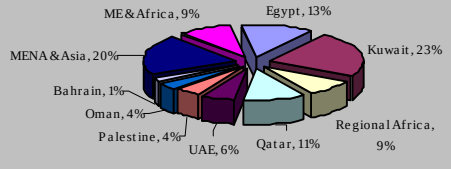
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
Orascom Telecom	MENA & Asia	19.2%
MTC	ME & Africa	15.7%
Q-Tel	Qatar	9.0%
MTN	Regional Africa	8.8%
National Mobile Telecom	Kuwait	6.2%

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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