EFG-Hermes Telecom Fund
June 2006

Dear Shareholder,

The month of June witnessed international and regional market uncertainty as a result of US interest rate hike fears. This sentiment continued to negatively affect emerging market returns. Despite trading at very attractive valuation levels, the regional telecom sector followed the negative sentiment by losing 4% during June. With the global interest rate issue mostly resolved and positive Telecom news fuelling the sector, signs of a healthy recovery were evident towards the first week of July. This was evident in your Fund's performance since the beginning of July, with its top five stocks gaining on average more than 6%.

During the month, MTC, your Fund's largest holding, was in the final stage of completing the acquisition of a 65% stake in V-Mobile, the Nigerian mobile operator with over 5 million subscribers. With a population of 139 million and a mobile penetrtion rate of only 13%, the Nigerian operation is well positioned to become the company's largest market. The acquisition is a continuation of MTC's aggressive expansion strategy that has seen it add 15 markets of operation to its portfolio during the last 12 months. More importantly, recent analysis done on regional transactions during the last 2 years reveals that V-Mobile's acquisition value makes it the cheapest transaction to be executed in the regional Telecom universe.

Orascom Telecom (OT), one of your top five holdings, announced during the month of June plans to increase its stake in Mobinil, the Egyptian mobile market leader, by 3.36%. Management had recently indicated its long term goal of accquiring a majority stake in Mobinil from its partner, France Telecom. Although Mobinil's share price has recently underperformed, your Fund's management believes that the current attractive valuations at which the stock is trading (9.0x Pe '06, 5.6x EV/EBITDA '06) will soon begin to attract investors and cause a reversal in the latest negative trend.

Batelco, the Bahraini mobile operator, also completed a purchase during the month to signal its regional ambitions. The company purchased 96% of Umniah, the third mobile operator in Jordan with slightly more than 400,000 subscribers. Although the transaction compliments Batelco's existing fixed line license in Jordan, your Fund's management believes that the saturated and competitive landscape in Jordan will not be easy to navigate. In spite of this, the company's current attractive valuation (8.8x PE '06) and historically healthy dividend yield (5.17%) warrants a small position in our Fund.

The bidding for the thrid mobile license in Egypt was completed during the first week of July. The third license was granted to Etisalat after paying the highest fee of USD 2.9 billion compared to the other 13 bidders. The regional Telecom sector witnessed an immediate reaction causing on average a 9% appreciation in Egyptian telecom stocks. With new licenses being offered in Saudi Arabia and Africa during the next two quarters, it is our view that the telecom sector would rebound during the quarter and we should see the end of the recent underperformance cycle.

In the coming month, the fund management company will propose to the board of your Fund a dividend distribution which will be paid out following the approval.

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 22.80
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

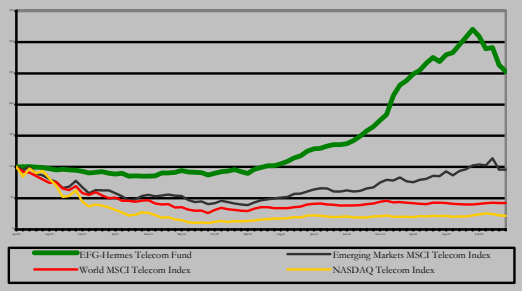
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	-17.9%
1 Month	-4.0%
3 Months	-18.3%
1 Year	-0.92%

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

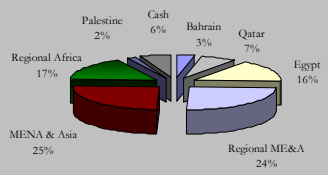
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
MTC	Regional ME & Africa	20.2%
Orascom Telecom	Regional MEA & Asia	16.6%
MTN	Regional Africa	8.7%
NMTC	Regional MENA	8.7%
MobiNil	Egypt	5.5%

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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