The EFG-Hermes Middle East and Developing Africa Fund Limited (MEDA)

August 2005

Fund Manager's Strategy & Outlook

The fund's performance was flat during the month as profit taking pressured its telecom constituents which closed in the red weighing on the fund's NAV. The MEDA fund slipped 0.5% to stand at USD19.81, keeping its YTD performance at 41%

The Kuwaiti telecom operators were a main source of pressure on the fund's performance this month. Mobile Telecommunication Company MTC dropped 10% after last month's rally despite impressive growth in the 2Q05 as investors liquidated part of their equity holdings after the board approved doubling the company's capital through a USD2.3Bn rights issue. National Mobile Telecommunication Company NMTC followed suit despite its announcement of positive 1H05 results and ended the month with a decline of 7%. Moreover, the Kuwaiti Public Warehousing Company (PWC) also announced a large capital increase which—along with MTC—was responsible for taking out some of the excess liquidity of the market. Finally, Global Investment House leaped 10% on the back of strong results in its asset management franchise.

On the other hand, our building materials holdings cushioned the profit taking in the telecom sector. Our cement holdings, especially in Egypt and Oman were among the fund's top equity performers during the month. We have sold our position in ASEC after the Italian cement company Italicementi placed a bid to acquire the company. We have added to our positions in other cement holdings in the region given their attractive valuation.

After a long pause in the Moroccan markets, it has started to catch up with its regional peers, including Maroc Telecom which has gained ground after it announced strong key figures by the end of July.

We remain optimistic about the regional markets especially our larger holdings in Kuwait and Egypt. Simultaneously, we have taken several defensive positions in the GCC countries where valuations have become very rich. We expect activity to pick up considerably towards the latter part of the month and prior to the onset of the holy month of Ramadan in October.

Objective

The principal objective of the fund is long term capital appreciation through investing in listed Middle East and North Africa equities and equity related securities.

Fund Information

NAV per share	USD 19.81
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management fees	1.4%
Incentive fees	20% of outperformance
Benchmark	S&P IFCI Global Index

Investment Information

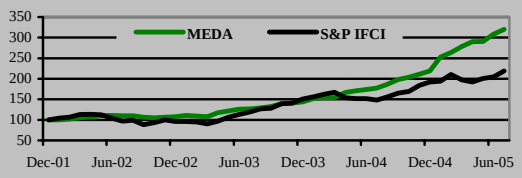
Minimum Subscription	USD 10,000
Minimum Subsequent Subscription	USD 10,000
Subscription/Redemption	Monthly
Distribution Agent	LCF Rothschild Securities
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

Fund Performance

Trailing Returns	
YTD	**40.7%**
MTD	-0.5%
3 Months	9.5%
1 Year	65.4%

Risk Overview	
No. Years ▲	4
No. Years ▼	2
Best Year ▲	53%
Worst Year ▼	-23%

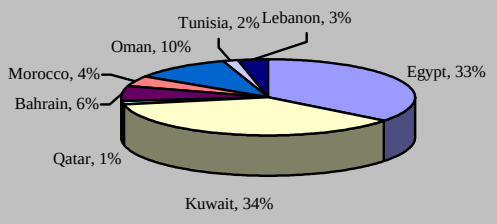
MEDA Relative Performance



Top 5 Holdings

Holding	Country	% of NAV
Orascom Telecom	Egypt	10.0%
MTC	Kuwait	8.8%
Global Inv.	Kuwait	7.3%
PWC	Kuwait	6.6%
Commercial Facilities	Kuwait	5.9%

Equity Allocation By Country



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 Developing Africa 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.

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