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

July 2005

Fund Manager's Strategy & Outlook

Despite the corrective path that most MENA markets followed during the month of July, the fund continued to gain ground adding 3.7% to its NAV given its continued emphasis on value stocks. The NAV stood at USD19.92 recording a YTD return of 41.5%. We are still overweighting the Kuwaiti and Egyptian equity markets as we continue to believe that they offer the most value.

The two telecom blue chips Mobile Telecommunication Company (MTC) and National Telecommunication Company (NMTC) had the lion's share in adding to the fund's return. Both stocks jumped 20% with the former boosted by anticipation that its 1H05 results will witness a marked increase in its bottom line with the consolidation of its recently acquired subsidiary "Celtel" and the latter fuelled by better then expected 1H05 results.

In Egypt, our telecom holdings witnessed a sell off which bucked their long lasting trend of rallying. Orascom Telecom began the month in the black but strong selling pressure surfaced after the announcement that it has bought its minority stake in Iraqna (the Iraqi operator) and the pressure was further intensified by talk about the merger of Orascom Telecom and Wind in the near future. On the other hand, our banking holdings in Egypt fared well, still fueled by talks about the upcoming acquisitions of the JV banks which are expected to be concluded at higher valuation levels.

The Omani market did not escape the sell off across the region. The IPO of Omantel has absorbed a lot of liquidity from the market leaving the rest of the Omani equity market in the red. In other markets, our Lebanese holding and our Moroccan holding further added to the fund's gains as they are trading at appealing valuations compared to the their regional peers.

We believe that the correction witnessed across the MENA markets was healthy as it has put markets once again at attractive valuations; and we continue to believe that the Kuwaiti and the Egyptian markets reflect the highest upside.

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 19.92
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

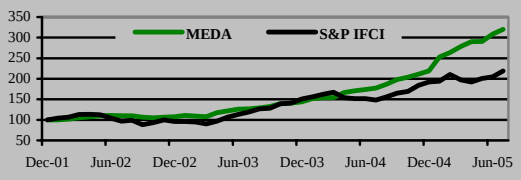
Minimum Subscription	USD 10,000
Minimum Subsequent Subscription	USD 10,000
Subscription/Redemption	Monthly
Distribution Agent	LCF Rothschild Securities
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

Fund Performance

Trailing Returns	
YTD	**41.5%**
MTD	3.7%
3 Months	10.3%
1 Year	75.0%

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

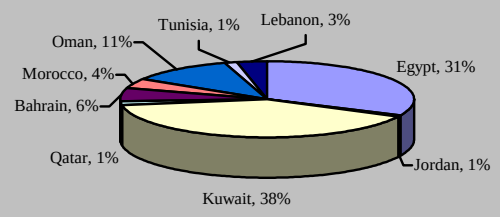
MEDA Relative Performance



Top 5 Holdings

Holding	Country	% of NAV
MTC	Kuwait	10.0%
Orascom Telecom	Egypt	9.9%
NMTC	Kuwait	8.0%
PWC	Kuwait	6.8%
Global Inv.	Kuwait	6.8%

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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