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

October 2005

Fund Manager's Strategy & Outlook

The Fund continued to gain ground in October as the NAV rose by more than 3.0% to close at USD 21.47, adding to its year-to-date return which now stands at 52.5%. Despite the shortened trading session during the holly month of Ramadan, 3Q05 financial results announcements boosted the markets' activity. Our overweight in value stocks in the Kuwaiti and Egyptian markets continued to pay off. The former was boosted by jumps led by the financial services sector while the latter's move can be mainly attributed to the positive performance of the real estate and tourism sectors.

Among the top contributors to the Fund's performance were Kuwaiti blue chips Global Investment House and Commercial Facilities. The former continued its rally triggered last month by its listing in the DFM as impressive 3Q05 continued fueling the positive sentiment and the stock rallied 27% during the month on heavy volumes. Commercial Facilities also gained ground as it continued to benefit from the high interest rate environment therefore recording impressive 3Q05 growth.

The strong performance of Orascom Hotels and Development (OHD) despite heavy selling pressure in the banking sector faced during the month. OHD led the gainers with a 12% move ahead of its rights issue and after it announced that it has been awarded a Yemeni tourism project accelerating its regional presence. Furthermore, Orascom Telecom regained some lost ground after last months worries about the future of OT's merger with Wind subsided. . We have also added to our holdings in Lebanon ahead of the Mehlis report in anticipation of its positive impact on the market.

Looking ahead, we will continue to reshuffle some of our positions in Egypt rotating into select mid-cap companies that we feel still exhibit good value as well as participate in new issues coming to the GCC markets, including Bahrain, where some of our positions have reached their fair value. We anticipate increased activity this month across the board and have positioned ourselves accordingly.

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 21.47
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management fees	1.4%
Incentive fees	15% of outperformance
Benchmark	10%

Investment Information

Minimum Subscription	USD 10,000
Minimum Subsequent Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG294041030
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

Fund Performance

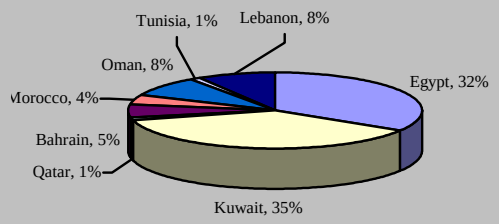
Trailing Returns	
YTD	**52.49%**
MTD	3.2%
3 Months	7.8%
1 Year	64.0%

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

Top 5 Holdings

Holding	Country	% of NAV
Orascom Telecom	Egypt	10.0
Global Investment House	Kuwait	10.0
MTC	Kuwait	8.1
NMTC	Kuwait	5.5
Commercial Facilities	Kuwait	5.1

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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