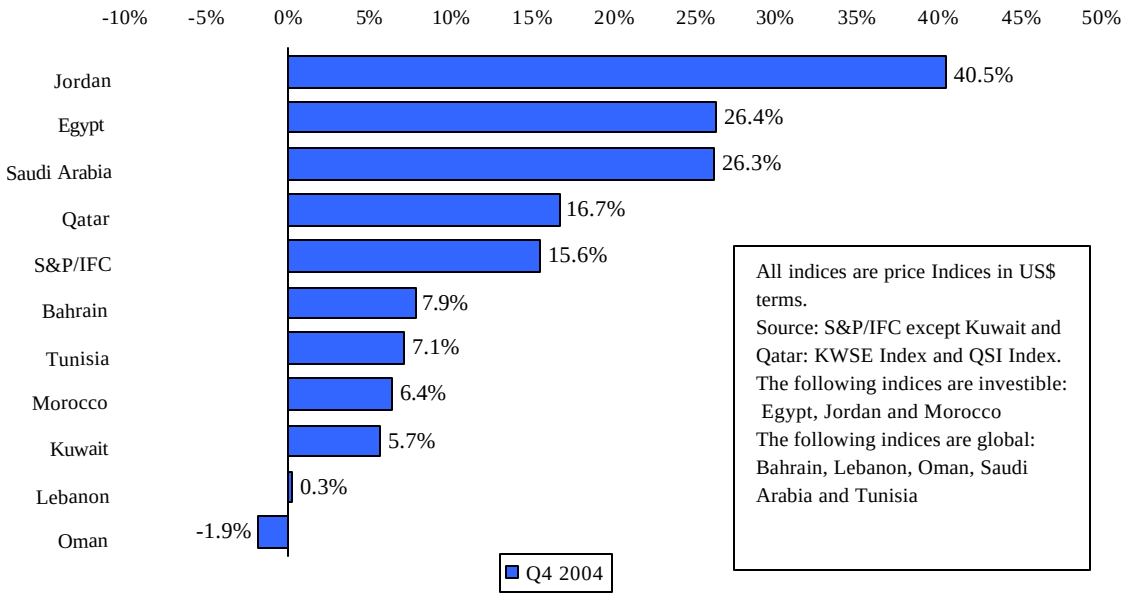
Investment Manager's Commentary:

It has been another positive quarter for the MEDA fund with the NAV rising by 11.1% bringing the total return for the year to 52.7%. Dollar weakness and steady global growth have increased the appetite for emerging market assets, against the background of low interest rates and healthy commodity prices. There has been a trend towards investors seeking markets that are less correlated with international markets, which has highlighted opportunities in markets outside the mainstream indices.

The quarter has been characterised by growing confidence that the returns offered by regional MENA markets are sustainable. There has been a broadening of shareholder activity, with a marked increase in retail and regional institutional interest in local markets. This has been reflected in higher trading volumes, increased cross border investor activity and heavy oversubscription of new issues. International institutional emerging market investors have also been taking a greater interest in the region. Historically, this interest has focussed on Egypt, but interest in the **Maroc Telecom** IPO and subscriptions for a new Arabian Gulf Fund in the US, indicate that interest is broadening.

MEDA Region Stock Market Performance (US$):



Gulf economies and markets are flush with liquidity. Although somewhat off their recent highs, OPEC-basket oil prices have continued to fluctuate in the $35-40/barrel range. OPEC is showing good cohesion and there is confidence that supply disciplines will continue into 2005 through a combination of reduced Saudi production and tighter quotas. There is agreement that the OPEC price range should be higher to compensate for the reduced purchasing power of Gulf economies due to the weaker US dollar. A high proportion of manufactured goods imports are Euro denominated and so a higher target price range can be justified despite the disinflationary effect this has on the major world economies.

Higher oil prices and near record oil and natural gas production volumes have translated into bulging coffers for Gulf governments. In some cases, such as Saudi Arabia, governments have aggressively used oil surpluses to reduce domestic debt and increase spending on schools and hospitals. Spending has generally been accelerated above budgeted estimates, but has fallen well short of increases in revenues. The net result has been that government deposits in the banking system have increased at a time when, at the margin, a higher proportion of private savings have been recycled through the domestic economies. This liquidity has had a strong multiplier effect, in terms of property markets, financial market speculation and general demand. Only where Central Banks have put strong restrictions on consumer credit, such as Kuwait and Oman, has that demand been dampened. In Dubai, for example the deregulation of credit markets has certainly helped spur residential property demand and the heavy over-subscription of new issues listed on the exchange.

One of the features of the quarter has been the outstanding success of initial public offerings. The listing of the second mobile operator, Etihad Etisalat, was an outstanding success. The issue was oversubscribed more than 50 times, with over 4m subscriptions, a significant proportion of the Saudi adult population. The issue more than quadrupled on listing, having been priced under the new SEC Authority guidelines at a very attractive valuation. This success has encouraged the Government in Saudi to speed up the

privatisation program, with significant divestments planned in the Insurance, Mining and Banking sector over the coming months. Similarly, there have been successful new listings in Dubai and Oman, with the former positioning itself as the favoured location for private company listings for regional companies like the freight transport company, Aramex. There are also moves afoot in Qatar and the UAE to allow freer access to non-local investors in newly listed companies. Listed companies are expected to come under increasing pressure in 2005 to open their share registers to international investors. For example, the Qatari Liquid Natural Gas transportation company, Q- Gas, is expected to be open to all non-Qatari investors in the aftermarket.

This trend towards market opening in our view is a structural development and is now being openly encouraged by governments, despite the implications for short term excess liquidity. There is a recognition that privatisation and the more efficient operational and financial management of government assets is the way forward, at a time when the private sector is taking the lead in terms of job creation and service improvement. We believe 2005 will be the year when we see many more private sector, often family owned, businesses seeking a listing on a regional exchange. The growth in regional markets and trade integration is creating many opportunities for regional expansion, and the improvements in market infrastructure are giving owners greater confidence to overcome bureaucratic and confidentiality hurdles.

In terms of the fund strategy, we have gone some way towards reversing the re-weighting towards Egypt earlier in the year. Despite the outstanding performance of many leading companies in the Gulf, a herd instinct has tended to focus activity on companies like Emaar and Saudi Telecom. Both are arguably now over-valued and would be vulnerable to restrictions on retail investor activity. In the wake of this short term investor behaviour, some markets and companies have been neglected in our opinion. We have been steadily building positions in stocks like **Commercial Facilities** and **Burgan Bank** in Kuwait, both of which are trading at a significant discount to the regional sector average and offer dividend yields almost twice that of local savings deposit rates. Against a sharply rising market **Commercial Facilities'** share price has actually fallen over the last two years. Similarly, we have added to **Bank Muscat** in Oman after a share price fall related to a potential merger with its main competitor.

Egypt has remained an outstanding performer, and the fund has benefited from a focussed portfolio in the **Orascom Group** and **Eastern Tobacco**. Both **OCI** and **OT** have surprised in terms of growth against a background of healthy demand for regional cement prices, government spending and consumer mobile demand. The only black spot has been Iraq, where security issues have jepoardised both companies competitive advantage. Some profits have been realised in these stocks over the quarter, with a view to re-allocating to undervalued situations in the Gulf region.

The Fund also subscribed to the **Maroc Telecom** issue, and increased exposure in the aftermarket. This issue saw strong international and regional interest, attracted by a PE of around 10x and a potential dividend yield of 10%, and the security of knowing Vivendi had recently increased its stake in the company. In the run up to this issue, there was a significant cash-raising exercise by local Institutions which resulted in price falls across leading stocks. At this point the fund increased exposure to **Lafarge Ciments**, which at the time was trading on a prospective PE of 11.2x.

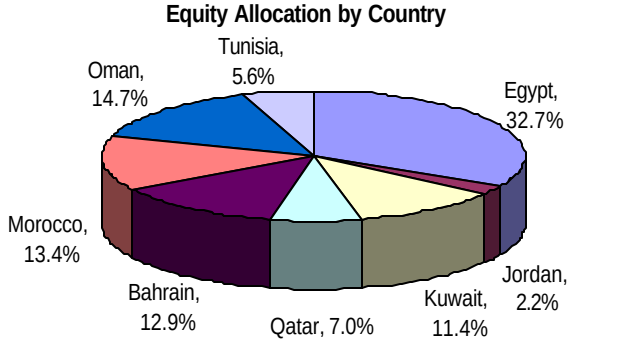
Performance to date:

Value	31/12/03	30/03/04	30/06/04	30/09/04	31/12/04
MEDA	9.22	9.88	11.15	12.68	14.08
S&P IFCI*	419.92	463.59	422.82	457.60	

Return	1Q04	2Q04	3Q04	4Q04	FY04
MEDA	7.2%	12.9%	13.7%	11.1%	52.7%
S&P IFCI	10.4%	-8.8%	8.2%	16.8%	27.2%
Relative**	-3.2%	21.6%	5.5%	-5.7%	25.5%

***S&P/IFC Composite Investible Total Return USD Index**
****Relative Performance of MEDA NAV to Benchmark**

Top 10 Holdings	% Net Assets
Orascom Telecom	9.2%
Orascom Construction Ind	8.7%
QTel	6.8%
Lafarge Maroc	6.2%
Eastern Tobacco	5.4%
Bank Muscat	5.4%
Alliance Housing Bank	5.2%
Commercial Facilities	3.9%
Vodafone	3.6%
Bahrain Commercial Facilities	3.6%



BACKGROUND:
The EFG-Hermes Middle East and Developing Africa Fund 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 Developing Africa.
EFG-Hermes Financial Management (Egypt) Limited (HFM), a wholly owned subsidiary of EFG Hermes Holding Company, is the investment manager. EFG-Hermes (UK) acts as investment advisor to HFM.

ADMINISTRATION, SECRETARY AND REGISTRAR:
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Tel: 1441-295-9294 Fax: 1441-292-8899

SEDOL Code:
0-675-970

BLOOMBERG TICKER: EFGMEAF BH

THE FOLLOWING MAKE A MARKET IN THE FUND' S SHARES:

UBS Warburg / Mr. David Bliff	Tel: 44-207-568-4587	**REUTERS PAGE** WDRIFMEA1
Jefferies International Limited / Mr. Norman C. Crighton	Tel: 44-207-618-3620	**REUTERS PAGE** JEF03
LCF Rothschild Securities/ Ms. Claire Heathfield	Tel: 44-207-845-5960	**REUTERS PAGE** EDRG
JP Morgan/ Securities/ Mr. Richard Crawford/ Simon Ronan	Tel: 44-207-742-8463/8497	**REUTERS PAGE** RSJA55
ABN-AMRO/ Mr. Andrew Cade	Tel: 44-207-678-5413	**REUTERS PAGE** ABNFUND15

Shares can be redeemed on a quarterly basis and subscribed for on a monthly basis from June 2000. The subscription price is the last published NAV for the month plus a front-end charge of up to 2%. The redemption price is the last published NAV for the month less a charge of up to 4%. During the life of the Fund redemption charges ranged between 0 and 2% and are a function of the liquidity of the portfolio at time of redemption. Redemption requests have to be submitted to MQ Services 14 working days before month end. Subscription requests have to be submitted to MQ Services 7 working days before month end.

FACT FILE:
First launched: August 1999
Fund restructured to MENA Fund in 2002

The Company distributed dividends of:
US$ 0.19 per share as of 30 November 2000
US$ 0.21 per share as of 17 December 2002

NAV as of end of December 2004: US$ 14.08

ENQUIRIES:

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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.