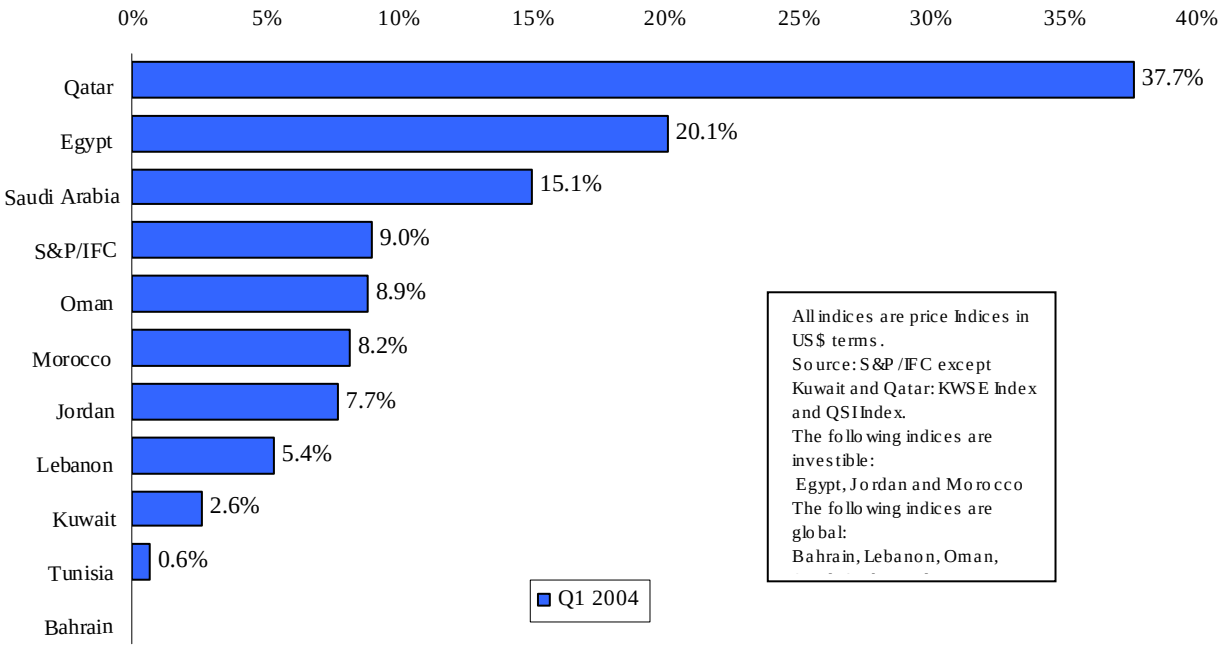
Investment Manager's Commentary:

The MEDA Fund has continued to post positive gains during the first quarter, rising by 7.2%. Over a full year of consecutive monthly gains has been broken in March by a slight fall in the NAV. This can be primarily attributed to the correction in some share prices as they went ex-dividend and bonus distributions. Generally, the pace of market rises has been slowing during the quarter, although the Qatar and Saudi markets have continued to benefit from very active trading and healthy local demand.

The table below reflects the performance of markets across the region. The quarter has been characterised by favourable 2003 earnings announcements, rising oil prices and ongoing tension in Iraq and Palestine.

MEDA Region Stock Market Performance (US$):



Reported 2003 earnings have generally been up to best expectations, with investors raising their expectations for higher dividends and 2004 earnings during the period. Petrochemical, non-core banking and cement earnings have been particular features, although the operating performance of many Telecoms companies has been steady throughout the year. Our portfolio shift towards Cement and building materials companies has been vindicated by particularly strong figures from **OCI, Oman Cement** and **Lafarge**, all of which posted excellent 2003 earnings.

Oil prices have been on an upward path, filling the coffers of Gulf Governments. OPEC has shown greater discipline over the period, but prices have been helped by the ensuing recovery in Global demand. Higher prices have been beneficial for Gulf governments, with many now forecasting surpluses or small budget deficits in 2004. If oil prices remain above $25 per barrel this year, even Saudi Arabia will post a budget surplus, above that recorded in 2003. Reflecting this position, the Saudi Government has made generous payments to farmers in the first quarter, thereby enhancing liquidity in the banking sector. This has enabled the Central Bank to finally cut interest rates to US levels during the quarter.

Political tensions centring on terrorism have continued to dominate the media landscape. The clampdown on insurgents continues in Saudi Arabia, but Iraq and Palestine remain in the headlines. These developments have not appeared to dampen liberalisation of the Saudi economy, with foreign involvement in up-stream Gas and Power projects now being actively encouraged. Less risk-averse regional players such as **OCI, Orascom Telecom** and **MTC** are all aggressively capitalising on their presence in the Iraq, and are already seeing the benefits of their early entry. Gulf Telecom companies continue to target 'higher risk' countries in their expansion plans.

Qatar has been a particular feature in terms of market performance during the quarter. The market remains largely closed to foreign investment, and the strong performance of certain commercial and Islamic banks, reflects activity by local investors anticipating healthy dividend and bonus issues. The delayed mutual fund regulations have yet to be agreed by all interested parties. Speculation has tended to centre on the secondary market given the slowdown in new issues. The economy continues to perform well, with the LNG and GTL project expansions coinciding with a boom in property and infrastructure spending. Unfortunately, the most accessible stock **QTel** has been largely left out of the rally given its earnings predictability and conservative management.

There have been relatively few major portfolio changes during the quarter. Importantly, the overall exposure to unquoted investments has declined significantly. Following the listing of **Vodafone** in the final quarter of last year, in March, we received a favourable bid for **Funoun** from an important Saudi investor. This resulted in uplift to the valuation price. We have also sold the remaining position in **Ezz steel** bonds, which was an illiquid but quoted investment. The only remaining unquoted investment is Raya, which accounts for 1.5% of the portfolio. This was also marginally revalued in March following a capital increase.

Over the quarter there has been a slightly increased emphasis on North African markets. Egypt is enjoying an economic rebound following a period of lower interest rates, and there has been an improvement in the balance of payments and currency rate. In our view **OCI** remains one of the best companies to hold given its attractive valuation, scope for earnings upgrades and reliable management. We switched part of our holding in **Vodafone** into **Orascom Telecom** based on relative valuation. In Tunisia, we have continued to add to **Banque de L'Habitat**, despite slightly disappointing 2003 earnings. With the Tunisian economy in recovery mode, banks ahead in the provisioning cycle should enjoy a healthy earnings recovery and valuation improvement in 2004. In Morocco, we have added the metal producer, **Managem**, which is at an early point in an earnings recovery.

The outlook for markets remains reasonably secure. Interest rates are likely to only show a mild upward bias in the second half of this year. Only in Egypt, where there primary budget deficit is expanding may the rise in interest rates be more significant. The outlook for corporate earnings is generally favourable, although there is an underlying concern that companies more exposed to the financial and property markets may see greater volatility, if valuations prove unsustainable. We have consciously focussed the portfolio on companies with a higher quality of operating earnings. This would include companies like **Commercial Facilities** in Kuwait. And finally, economies are generally performing well helped by government spending, a recovery in industrial sectors and consumer demand. Inflation remains low outside asset markets, and our only concern might be the level of consumer and corporate debt in certain quarters. A growing trend of repatriation to the Gulf seems likely, supported by an acceleration of IPO issuance. Earlier new issues such as the UAE finance company, Amlak, are destined to perform well.

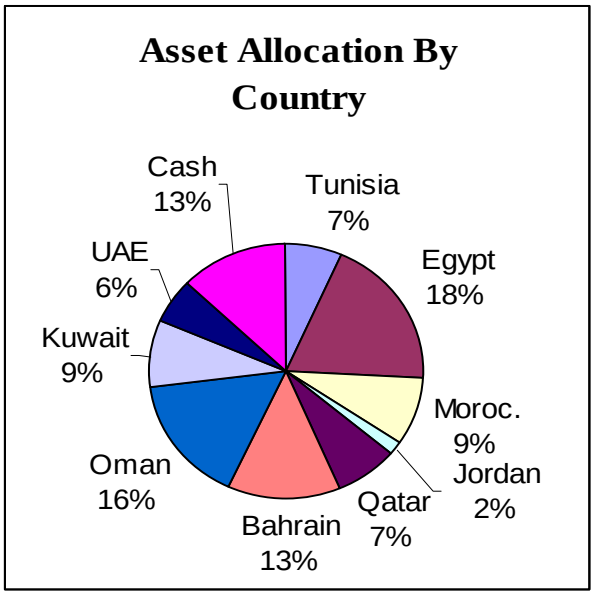
Performance to date:

Value	31-12-02.	31-3-03.	30-6-03.	30-9-03.	31-12-03**	31-3-04.
NAV in $	6.92	6.95	8.10	8.53	9.22	9.88
S&P/IFCI*	267.21	249.99	312.92	357.39	419.92	457.78

Return	Q1 2003	Q2 2003	Q3 2003	Q4 2003	2003	Q1 2004
NAV	0.4%	16.5%	5.3%	8.1%	33.2%	7.2%
S&P/IFCI	-6.4%	25.2%	14.2%	17.5%	57.1%	9.0%
Relative **	6.9%	-8.6%	-8.9%	-9.4%	-23.9%	-1.9%

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

Top 10 Holdings	% Net Assets
OCI	9.5%
Qtel	7.5%
Alliance Housing Bank	6.2%
Emaar	5.8%
Lafarge Maroc	4.7%
Bank Muscat Convertible	4.4%
Bahrain Commercial Facilities	3.7%
Banque De L'Habitat	3.6%
Batelco	3.5%
National Bank of Bahrain	3.3%



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:
MQ Services Limited
Chancery Hall, 52 Reid Street, Hamilton, HM12, Bermuda.
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 March 2004: US$ 9.88

ENQUIRIES:

Tristan Clube- Investment Advisor
Tel: 971-4-3300335 Fax: 971-4-3300336
Tel: 44-131-6237800 Fax: 44-131-6237804
E-mail: tclube@wwmail.co.uk

EFG-Hermes Asset Management

Karim Nehma- Vice President
Tel: 202-3365960 Fax: 202-3365589
E-mail: knehma@efg-hermes.com

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.