The EFG-Hermes Middle East and Developing Africa Fund Limited

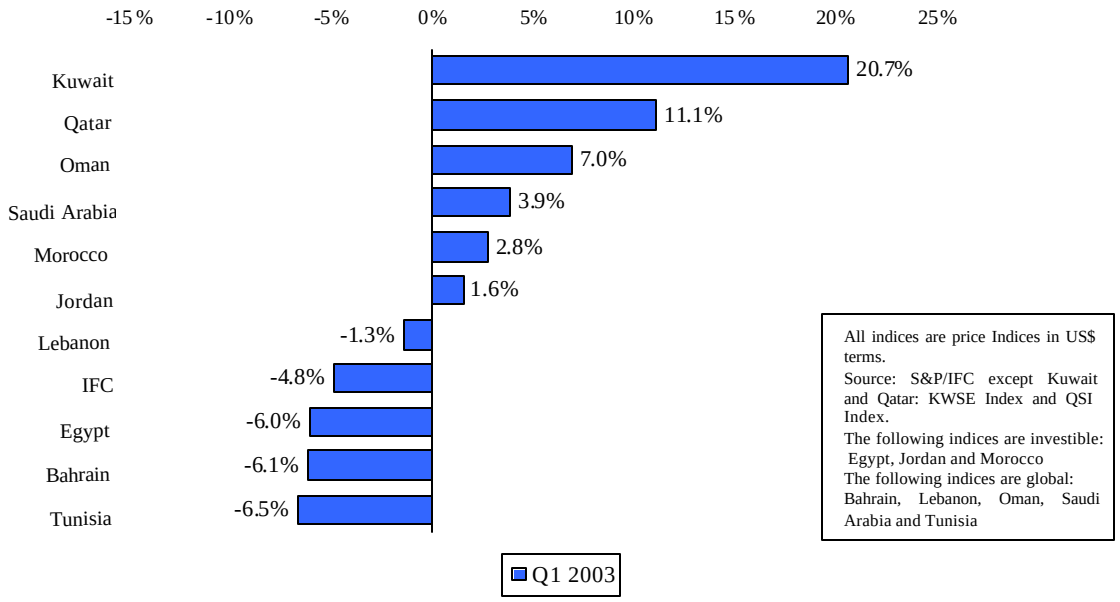
March 2003 *Quarterly Report* *Q1 2003*

Investment Manager's Commentary:

Over an eventful quarter, MENA markets have behaved with surprising resilience against the backdrop of military build-up and regional political uncertainty. This trend has turned more positive after the end of the quarter with many Gulf markets showing strong advances in the first week of April as US forces seal the fate of the Ba'ath regime. During this recent period even trading volumes in markets like Jordan and Tunisia have increased from the frozen levels earlier in the first quarter. Once again MENA markets have shown negligible correlation with the volatile behaviour of global markets, and have principally been driven by local and regional investors. We have detected only little cross-border investment activity, with market dynamics very much driven by the local investor base in each market. Given the unpredictable turn of events, we have preferred to follow a conservative strategy in the fund in terms of asset allocation, with a view to capital preservation and income generation. Over the quarter, the fund has risen by 0.4% compared with a fall in the IFCI index of 4.8%. March's NAV has been impacted by a revaluation of **Funoon**, one of our Egyptian private equity positions.

The table below illustrates the main market moves in dollar terms during the quarter.

MEDA Region Stock Market Performance (US$):



Performance to date:

Value	31-12-01.	31-3-02.	30-6-02.	30-9-02.	31-12-02***	31-3-03.
NAV in $	6.61	6.94	7.34	6.98	6.92	6.95
S&P /IFCI*	274.52	305.04	283.75	240.25	253.44	241.37

Return	Q1 2002	Q2 2002	Q3 2002	Q4 2002	2002	Q1 2003
NAV	5.0%	5.8%	-4.9%	2.1%	7.9%	0.4%
S&P /IFCI	11.1%	-7.0%	-15.3%	5.5%	-7.7%	-4.8%
Relative **	-6.1%	12.8%	10.4%	-3.3%	15.6%	5.2%

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

***** Distributed a dividend of USD0.19 on 30-11-00 and USD 0.21 on 17-12-02**

Gulf markets have generally been better placed to weather the uncertain first quarter. Oil prices have been high, and export volumes have been buoyant as OPEC members have compensated for temporary supply disruptions in Venezuela, Nigeria and Iraq. Independent forecasters believe Saudi Arabia has been the greatest beneficiary, with production running as much as 25% ahead of the levels expected when their budget was drawn up in December. Provided that the oil price does not collapse for a protracted period beneath $22-25/barrel, Saudi is likely to run a budget surplus this year with beneficial implications for liquidity in the banking sector and stockmarket performance.

The stellar market performer this year has been Kuwait, which we have judged to be both too speculative and too expensive. Relative to the rest of the region, valuations are high and the quality of earnings is less favourable. We haveretained a small toehold in the market through **National Bank of Kuwait**, but market activity has been very much concentrated in the investment companies, building material and real estate sectors. Investors have been buying on the benefits of portfolio gains and the less tangible benefits of potential contracts in a reconstituted Iraq. The index has been rising on a liquidity bubble that has been pumped up by UN compensation payments, fund repatriations and oil revenues flowing into a leaky banking system.

Geographically a little further down the Gulf, the Bahrain exchange has been in a different mode. Trading volumes have been low and investors have been seeking low PE and high dividend yields in the run up to the payout season in March-April. Reflecting greater conservatism, local investors have preferred to target the Government's recent sovereign and 'Sukuk' leasing bonds. Aside from steep falls in the offshore banking sector, share price moves have also been less dramatic. Share prices of steady growth companies like **Bahrain Commercial Facilities**, **National Bank of Bahrain** and **Batelco** are recovering well after going ex-dividend over the period. All companies justified an increased weighting in the portfolio in the final quarter of last year, with operating performance coming in line with expectations. We are becoming a little more cautious on the outlook for **Batelco** given that there will be competition in the mobile sector later this year. In the UAE, **Emaar** Properties has been somewhat out of favour despite impressive 2002 figures and forecasts for the next two years. Although we believe the company is genuinely undervalued, investors are cautious about whether ambitious growth plans can be realised.

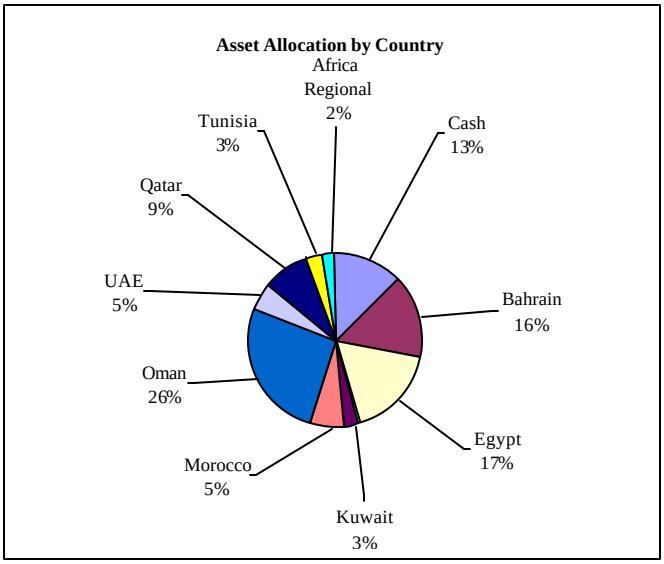
Qatar, like Kuwait, is in a 'bubble' type environment, with few investment alternatives for domestic investors. For example, the government is actually in the course of reducing its external borrowing rather than increasing sovereign issues. The promise of new substantial public offerings, privatisations and mutual funds has been made, but investors are awaiting delivery. Until then, the revenues generated from LNG are being steadily fed into the banking system. The leading banks reported impressive core lending and fee-based operating figures but share prices have tended to move ahead of profit growth. **QTel**, on the other hand, still offers growth and reasonable prospects at an undemanding prospective PE valuation of 11x and a dividend yield of 6%.

Oman has been our 'biggest bet' in the portfolio, accounting for 26% of the total. This was based on two factors- distance from the hostilities in the Gulf area and the undemanding valuations available in the major banks. Share prices in three of our top ten holdings, **Bank Muscat**, **National Bank of Oman** and **Alliance Housing Bank** have all been moving favourably, although the Central Bank continues to enforce tight provisioning, reduced dividend payouts and strict controls over consumer lending rates. We have retained a core position in the **Bank Muscat Convertible Bond** which has an annualised yield of 18% until it converts next April year having just paid a 4.4% semi-annual coupon.

Across North Africa and the Near East there has been limited activity in the portfolio. This region has tended to underperform given the stresses on current accounts and budgets, and so it has been correct to retain a low weighting. Private equity in Egypt has been a drag on performance as **Funoon** has been revalued from $0.68 to $0.40 after a restructuring and profit disappointment. **Raya** and **Click** haveretained their value in Egyptian pounds but have impacted the portfolio due to 19.7% depreciation in the currency. Having reduced our position to Egypt late last year in anticipation of a possible devaluation in the first quarter, we bought back **OCI** and **CIB** after the 'floatation' of the Egyptian Pound in February. This proved a short-lived strategy as we preferred to lock in profits as the sustainability of the new currency policy was brought into question. A final bright spot has been the steel manufacturer, **Sonasid**, in Morocco which announced impressive 2002 figures and still stands on a 2003 PE of 5.2x and dividend yield of 12.4%. After the recent share price appreciation this is now our third largest equity holding.

We remain upbeat on MENA markets for the duration of 2003 on the basis that global interest rates remain low, US regional policy is constructive and oil prices remain within the OPEC target range. International markets are unlikely to reverse the trend towards increased regional investment by Middle Eastern investors and greater cross border activity can be expected.

Top 10 Holdings	% Net Assets
Qatar Telecom - QATAR	8.8%
Bank Muscat Convertible Bond - OMAN	7.5%
Sonasid - MOROCCO	6.1%
Bank Muscat Al Ahli - OMAN	5.9%
Alliance Housing Bank - OMAN	5.9%
Bahrain Telecom - BAHRAIN	5.8%
Emaar - UAE	5.1%
National Bank of Bahrain - BAHRAIN	4.6%
National Bank of Oman - OMAN	4.1%
Bahrain Commercial Facilities - BAHRAIN	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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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

NAV as of end of March 2003: US$ 6.95

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

ENQUIRIES:

EFG-Hermes Asset Management

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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.