EFG-Hermes Telecom Fund

Monthly Report *September 2004*

Dear Shareholder,

Your Fund's year to date returns reached 26.0%, after gaining 5.8% during the month. This has given rise to a total return of 58.0% since inception. All Telecom indices had a positive month lead by Emerging Markets Telecom MSCI index. We are pleased to report that the Fund this year is significantly ahead of counterpart indices, with the Emerging Markets and World Telecom MSCI indices only up by 7.7% and 1.7% respectively.

The largest contributor to your Fund was Orascom Telecom (OT), your largest holding, which gained 31% during the month. We believe the company remains cheap relative to its peers in the Arab world and is still trading at 27% discount to the Emerging Markets peer group 05 PE. Growth and profitability in Algeria and Pakistan continues to surprise positively with OT leading both markets and having the wider coverage compared to its competitors.

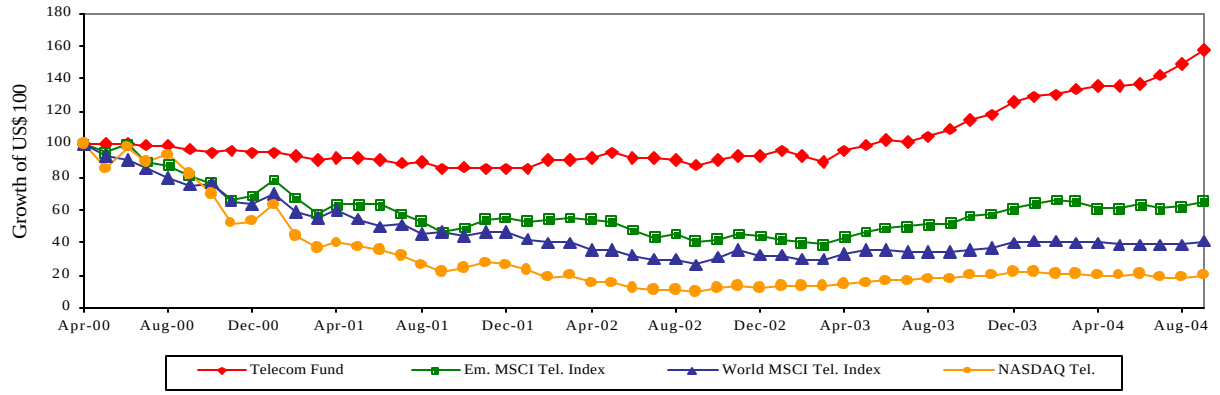
Egyptian telecoms also had a positive contribution to your Fund with MobiNil and Vodafone gaining 17% and 14% respectively. The Egyptian stock market continued its positive trend, backed by the new government's positive steps in implementing a new economic reform plan. The new board of ministers started with the custom reforms and their second step was boldly lowering corporate and income taxes. Both telecom operators will benefit from the latter reform with their tax rate lowered from above 40% to 20%, thus increasing their profitability and cash flow. We have revised MobiNil's and Vodafone's earnings upward by around 16% for 2005.

In the Gulf region, the largest contributor to the Fund was Batelco which outperformed its local market by 2.7% during the month, and has now risen by 22.5% over the quarter. The Manager lowered the Fund's weight in the stock after the price reached an all time high. At this level the stock had a higher relative valuation compared to the company's peers in the Gulf. The Qatari market witnessed a 3.5% correction during the month while Q-Tel outperformed the market by 1.1%, after a strong July and August. On the other hand, the Kuwaiti telecom sector underperformed the stock market by more than 3%.

Despite increased political tension in Nigeria, where MTN's leading growth subsidiary operates, the stock contributed 0.5% to your Fund's return during the month. The Nigerian subsidiary is witnessing high subscriber growth rates, which reached 2.5m in August, more than 30% growth compared to March 2004. MTN Nigeria remains the market leader with more than 50% market share.

The Manager discounted NTC, the Egyptian Information Technology private equity company, by around 30%. The discount was a result of the company considering several offers from strategic investors at a lower valuation than the Funds'. This had a negative 0.9% impact on the Fund return.

Telecom Fund Performance Since Inception



The EFG-Hermes Telecom Fund distributed US$ 0.25 dividend per share in March 2002, US$ 0.25 in August 200 3 and US$ 0.12 in July 2004.

Regional Breakdown

Gulf Region	37.7%
Regional MEA	20.5%
Egypt	19.7%
Regional Africa	18.1%
TOTAL	**96.0%**

Equity Breakdown

Listed stocks	85.7%
Unlisted stocks	10.3%
TOTAL	**96.0%**

Top 10 Holdings

Orascom Telecom	19.9%
Q-Tel	13.4%
MTN	11.6%
Batelco	10.7%
MobiNil	8.3%
Vodafone Egypt	8.2%
MTC	7.5%
Celtel (MSI)	6.2%
NMTC	2.5%
NTC	2.0%

Sector Breakdown

Telecom	88.2%
IT	3.5%
Media	1.6%

BACKGROUND:
The EFG-Hermes Middle East and Africa Funds 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 Africa.

EFG-Hermes Telecom Fund is the first sub-fund to be established by the Company. The Telecom Fund invests in listed and unlisted equities and equity-related securities of telecommunications, media, entertainment, information technology, internet and e-commerce companies and related infrastructure companies established or operating in the Middle East and Africa.

# of shares = 2,473,840

MANAGER:
EFG-Hermes Financial Management (Egypt) Limited.

TECHNICAL ADVISORS:
Detecon GmbH

FUND CUSTODIANS:
Citibank N.A. (Cairo branch)
The Hong Kong and Shanghai Banking Corporation Limited (HSBC)

AUDITORS:
Deloitte & Touche

ADMINISTRATION, SECRETARY AND REGISTRAR:
MQ Services Limited
Chancery Hall, 52 Reid Street, Hamilton HM 12
Tel: 1441-295-9294 Fax: 1441-292-8899

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

JP Morgan -USA / Mr. Jeremy Barkes Mr. Robert Brown	Tel: 1-212-2706 0000	
JP Morgan - UK / Mr. Richard Harris	Tel: 44-207-742 8111	**REUTERS PAGE:RSJA68**
UBS Warburg / Mr. David Bliff	Tel: 44-207-568 4587	**REUTERS PAGE: WDRIFMEA1**
LCF Rothschild Securities/Mr. Johnny Hewitson	Tel: 44-207-845 5960	**REUTERS PAGE: LCFR13** **BLOOMBERG: LCFR**

The fund is open for monthly subscription and quarterly redemption. Redemption requests have to be submitted to MQ Services 7 working days before quarter end.

FACT FILE:
Launched: April 2000 *NAV*: US$ 14.85

ENQUIRIES:

Maha Baligh- Investment Manager
Tel: 2-02-3365960 Fax: 2-02-3365589
e-mail: mbaligh@efg-hermes.com

Yasmin I Hassan- Vice President
Tel: 2-02-3365960 Fax: 2-02-3365589
e-mail: yibrahim@efg-hermes.com

Tristan Clube- Investment Advisor
Tel: 44-131-6237800 Fax: 44-131-6237804
e-mail:tclube@wwmail.co.uk

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 Africa Funds 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.