EFG-Hermes Telecom Fund

Monthly Report *May 2004*

Dear Shareholder,

After a series of positive monthly performances since March 2003, your Fund was almost flat during the month, despite a downward correction in the Egyptian and Qatari markets. Many emerging markets have witnessed volatility during the month, although the MSCI Emerging Telecom index ended the month virtually unchanged while the MSCI World Telecom Index was down 3.4%.

Gulf markets had a diverse performance during the month, while being overall positive since the beginning of the year helped by high oil prices and favorable liquidity. The Kuwaiti and Bahraini markets gained 4.6% and 3.5% respectively. While the telecom sector outperformed in Bahrain by 7.5%, there was a slight underperformance in Kuwait by around 1.5%. In contrast, the Qatari stock market lost 7.5% during the month, correcting after increasing 52% since the beginning of the year. Your second largest holding, Qatar Telecom (Q-Tel) outperformed the local market by only decreasing 1.8%.

In the first quarter announcements, MTC, the first Kuwaiti mobile operator, announced a 12% growth in net profits, slightly below our expectations. We will be awaiting the second quarter results before revising our forecasts. In addition Batelco, your largest holding, had an impressive 25% growth in net profits and 18% in operating profits compared to the same period in 2003. Operating margin improved from 48% to 53% due to high level of expenses in 2003 when the company adopted a reconstruction program in order to be more competitive after liberalizing the mobile market. The quarter's results exceeded our expectations and resulted in an improving valuation. Batelco is now trading at less than 11x 2004 PE. The Bahraini government is offering part or all of its 37% stake in Batelco for sale, they intend to sell it to a strategic investor and they appointed an investment bank to advise on the deal. Batelco and Q-Tel are both awaiting Oman's second GSM license announcement, which would be the first regional mobile expansion for these companies and would be a considerable addition to their growth prospect.

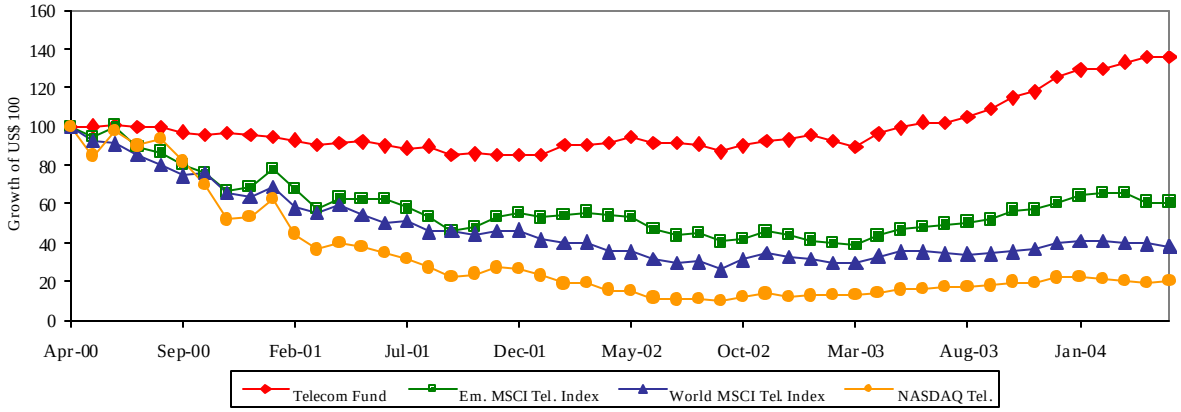
The Egyptian stock market lost 7% in May, after gaining 34% since the beginning of the year. The two Egyptian operators, MobiNil and Vodafone, under-performed the local market by 7.6% and 3.6% respectively. Vodafone released its results for the financial year ending March showing a 50% increase in revenues and 111% in net profits compared to the same period in 2003. The board of directors of the company is proposing an interim dividend that would result in a yield of 10% for the year. This announcement caused a disappointment in the market due to this being slightly lower than MobiNil's dividend yield. Orascom Telecom (OT), the regional telecom operator and one of your top ten holdings, also under-performed the market by 3.2% while announced its first quarter figures at the end of the month, exceeding all analyst's expectations and causing an upward revision in all forecasts. OT is trading at 7x 2004 PE, a large discount to its peers.

During the month we increased the Fund's weight in MTN, the South African mobile operator, MTC and OT based on companies' fundamentals and valuations. Our decisions have been beneficial in the short term with share prices rising by 16%, 4% and 3% respectively, with this trend continuing after the end of the month.

LuxSat, the regional video on demand company and one of your private equity holdings, is facing problems in launching its operations, accordingly the board of directors of the Fund approved writing off the investment next month, which would have a slight effect of around 0.7% on your NAV figure.

The Fund's annual general meeting will be held on the 10th of June 2004, the proposed dividend is US$ 0.12.

Telecom Fund Performance Since Inception



The EFG-Hermes Telecom Fund distributed US$ 0.25 dividend per share in March 2002 and US$ 0.25 in August 2003.

Table 1: Regional Breakdown

Gulf Region	38.2%
Regional Africa	20.6%
Egypt	13.9%
Regional ME	13.0%
TOTAL	**85.7%**

Table 2: Sector Breakdown

Telecom	75.9%
IT	5.0%
Media	1.7%

Table 3: Listed Stocks

Batelco	14.0%
Q-Tel	13.8%
MTN	13.1%
Orascom Telecom	12.2%
MobiNil	6.4%
MTC	4.4%
Bonds	3.1%
Vodafone Egypt	2.9%
NMTC	2.0%
Qatar Cinema	0.9%
TOTAL	**72.8%**

Table 4: Unlisted Stocks

MSI	7.1%
NTC	3.3%
Raya Holdings	1.3%
LuxSAT ME	0.8%
African Lakes	0.4%
TOTAL	**12.9%**

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 = 2,474,347

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. Subscription and redemption requests have to be submitted to MQ Services 7 working days before quarter end.

FACT FILE:
Launched: April 2000 *NAV*: US$ 12.88

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 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.