EFG-Hermes Telecom Fund
July 2005

Dear Shareholder,

Your Fund gained 3.4% during the month despite a correction in most of the Gulf region's stock markets. Year to date (YTD) returns of your Fund reached 49.6%.

The two Kuwaiti operators were the highest contributors to your Fund, highly outperforming their local market by more than 17%. Investors were positive on the telecom sector especially with their companies acquiring growth from different regional markets. The stock market estimates of a strong second quarter results for the first mobile operator in Kuwait, MTC, fuelled the stock price performance. The company will be consolidating the African conglomerate Celtel for the first time. The second mobile operator, NMTC, gained more than 20% after announcing the first half results, which showed 19% and 10% year on year (Y-o-Y) and quarter on quarter (Q-o-Q) growth in net profit respectively. The company's total number of subscribers reached 3.9 million distributed over four different markets. The group's consolidated results came in line with the Fund Manager's forecasts.

Other Gulf markets witnessed a correction in July with a 3% decline in both Bahrain and Qatar stock markets. Both mobile operators underperformed their local markets declining more than 7% during the month. Q-Tel, the monopoly telecom operator in Qatar, announced its first half results, which incorporated the start of the second mobile operations in Oman and the payment of the 25% royalty fee that will preserve the monopoly situation of the company. The effect of the above resulted in a 34% Y-o-Y decline in net profit, which was factored in the Fund Manager's expectations since the beginning of the year and was the reason behind the low exposure to the stock. On the other hand, Batelco, the telecom operator in Bahrain, announced its first half results showing a slight Y-o-Y growth of 3% compared to 5% growth expected by the Fund Manager for the full year.

African stock markets had a better performance during the month. The Moroccan stock market gained 4% after having flat returns since the beginning of the year. Maroc Telecom outperformed the local market by 1% after announcing the first half key figures showing 7% and 19% Q-o-Q and Y-o-Y revenue growth respectively. The company's mobile subscriber base reached 7.4 million and fixed lines reached 1.4 million with high growth potential in the data segment. The company's only competitor in the mobile market won the second license to operate a fixed line network in the country. The Egyptian stock market gained 1.3% during the month despite the attacks on Sharm El Sheikh. Due to operating in a highly liquid sector, both MobiNil and Orascom Telecom underperformed the local market while Vodafone Egypt found its support in its strong first quarter results announced during the month. Vodafone currently operates a subscriber base of more than 4.5 million subscribers which was reflected in a 23% increase in net profit compared to the preceding quarter and maintaining operating margin above the 50% level.

Your African conglomerate, MTN, with its main operations in South Africa and Nigeria, had a strong performance during the month, returning 6% on total return basis. The company announced its subscribers' figures for the quarter ending June 2005 showing an increase of 9% in its consolidated base to reach a total of 17 million subscribers. Operations in Nigeria, Cameroon and Swaziland are still witnessing a double digit Q-o-Q growth. The company added Ivory Coast to its portfolio of operations with the acquisition of a 51% stake in Loteny Telecom which controls 46% of the mobile market.

The Fund's annual general meeting approved a US$ 1 cash dividend per investment certificate, yielding 3.9% on July NAV. The payment date will be the 29th of August 2005 for holders of record as of the 22nd of August 2005.

Objective

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.

Fund Information

Fund Size	USD 104 million
NAV per share	USD 25.88
Launch Date	April 2000
Listing	DFM
Structure	Open End
Dividends Distributed	Mar 02: US$ 0.25, Aug 03: US$ 0.25, Jul. 04: US$ 0.12
Management fees	1.75%
Incentive fees	15% of NAV for performance above 10% p.a. with high watermark

Investment Information

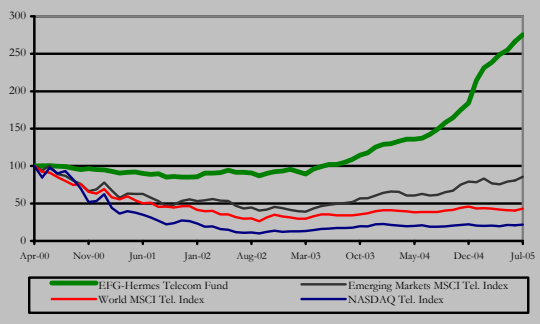
Minimum Subscription	USD 10,000
Minimum Subsequent Subscription	USD 10,000
Subscription/Redemption	Monthly
Market Makers	LCF Rothschild Securities, JP Morgan, UBS Warburg
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	49.6%
1 Month	3.4%
3 Months	10.6%
1 Year	93.1%

Risk Overview	
No. Years ▲	3
No. Years ▼	2
Best Yr ▲	46.8%
Worst Yr ▼	-10.7%

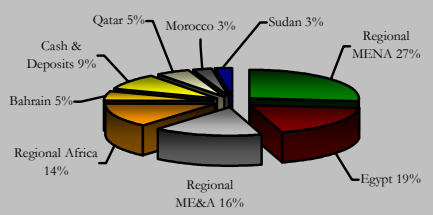
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
Orascom Telecom	Regional MENA	16.8%
MTC	Regional ME&A	16.2%
MTN	Regional Africa	13.0%
NMTC	Regional MENA	10.2%
Vodafone Egypt	Egypt	8.4%

Country Allocation



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.

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