# EFG-Hermes Telecom Fund

*Monthly Report* *September 2003*

***Dear Shareholder,***

An exceptional performance was witnessed during the month of September with your Fund surging 3.6% adding to its year to date (YTD) performance of 17%. Your Fund has outperformed world and emerging MSCI telecom indices by 11% and 1% respectively YTD and 3.1% and 1.2% respectively in September.

Performance in the Gulf markets varied in September. The Qatari market was the worst performer for the first time in 2003 after appreciating 52% to date. The market decreased 6.3% during the month with local investors changing their portfolio allocation to invest in a spate of initial public offerings. Your largest holding Q-Tel outperformed the market by decreasing only 3%.

In contrast, Kuwait and Bahrain gained 10.6% and 8.1% respectively during the month. Telecom companies in these two markets followed their local market. MTC, the first GSM operator in Kuwait, gained 10%, and its competitor NMTC gained 5.4%. Appetite for the Kuwaiti operators is increasing in anticipation of the Iraqi license results due to be announced. The first mobile operator and provider of fixed line service in Bahrain increased 5.3% helped by its attractive valuation relative to its regional peers.

The Egyptian stock market was a feature in September increasing 12.7% in US dollar terms, with the telecom sector leading the market and largely outperforming the index. MobiNil will be announcing an interim dividend on the 12th of October. With the company's increased cash flow, investors anticipate an increased dividend after paying 4% in 2002. Telecom Egypt announced a delay of the third mobile operator for a period of four years. The two existing Egyptian mobile operators will make a payment to Telecom Egypt. Following this news, MobiNil gained 15.1% over the month. Telecom Egypt announced that it will buy 16.9% in Vodafone Egypt, prior to listing, now scheduled for November.

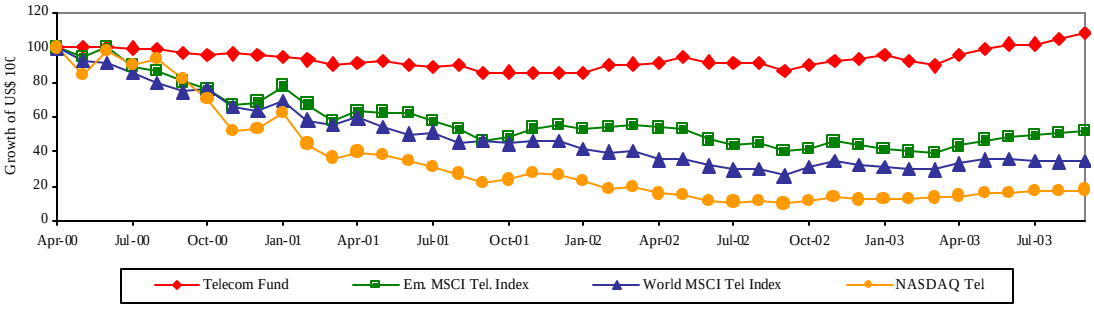
Orascom Telecom (OT) performed strongly during the month, despite Algerie Telecom's (AT) announcement of a network expansion. AT is Orascom Telecom's only competitor in Algeria. The Telecommunication Regulatory Authority (TRA) in Algeria will also decide on a third operator before the end of 2003 to start operating next year. After the end of the month, OT announced its second quarter results showing a strong year on year growth. There was a drop of 66% in net profits from the first quarter of the year. The company's results showed a strong growth in top line, a decrease in operating margin and as a result of unsustainable loss related to a revaluation of debt the company incurred an unusual loss, which affected its profitability. Our expectations for the year are almost unchanged as OT Algeria reached one million subscribers, beating our estimates.

The South African and Nigerian market leader, MTN, gained 16% in US dollar terms as the stock's valuation is attracting emerging market investors. In addition the company's increased liquidity would allow either a probable expansion or a dividend payment to investors.

In line with international BVCA guidelines the investment committee decided to discount the price of LuxSat by 20%. We believe this is a conservative valuation.

Your Fund is currently listed on the Dubai Financial market (DFM) since the 17th of September.

**Telecom Fund Performance**




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 | 38.0% |
| Regional Africa | 18.9% |
| Egypt | 17.9% |
| Regional ME | 10.3% |
| **TOTAL** | **85.1%** |

| Table 2: Sector Breakdown | |
|---|---|
| Telecom | 68.7% |
| IT | 6.0% |
| Media | 4.7 % |

| Table 3: Listed Stocks | |
|---|---|
| Q-Tel | 17.3% |
| MTN | 11.7% |
| Batelco | 11.0% |
| MobiNil | 7.1% |
| Orascom Telecom | 6.2% |
| Bonds | 5.7% |
| MTC | 2.6% |
| NMTC | 2.3% |
| Qatar Cinema | 0.6% |
| **TOTAL** | **64.5%** |

| Table 4: Unlisted Stocks | |
|---|---|
| MSI | 6.7% |
| NTC | 4.2% |
| Vodafone Egypt | 3.8% |
| LuxSAT ME | 2.7% |
| Founoon | 1.4% |
| Raya Holdings | 1.3% |
| African Lakes | 0.5% |
| **TOTAL** | **20.6%** |

**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** = 2,317,976

**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<br>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**<br>**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$ 10.32

**ENQUIRIES:** EFG-Hermes Asset Management – Youssef Saada –Tel: 2-02-3365960


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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.