EFG-Hermes Telecom Fund

Monthly Report *December 2003*

Dear Shareholder,

The Telecom Fund has continued its positive gains of the year by adding 6.4% in December, bringing 2003 total returns to 34.5%. Since inception in 2000 we have outperformed MSCI telecom indices by more than 60% and the NASDAQ telecom index by more than 100%.

Gains during the month were mainly the result of two of your private equity holdings finally paying off in terms of performance. First, MSI, the pan-African operator with a presence in 12 countries, had a capital increase for US$ 15m at US$ 17 per share, 42% higher than our previous valuation. The company is planning another two capital increases at the same price in order to finance its expansions. Second, Vodafone Egypt was listed on the Egyptian stock exchange and the price increased by around 46% over our valuation. Half of this was due to the elimination of the liquidity discount that was allocated to the stock listing.

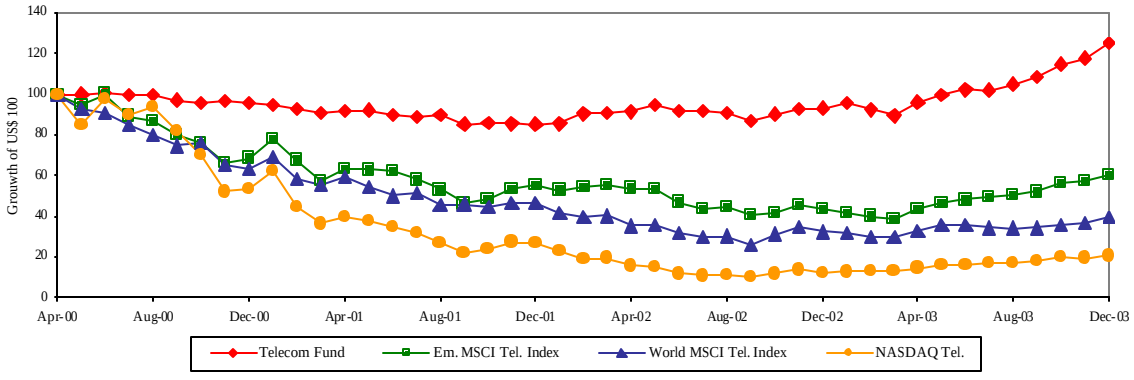
During the month, we visited telecom companies across the Gulf region. The common feature of these companies is the interest of telecom operators to expand regionally. The two Kuwaiti companies are the most active in expansions. MTC started operations in Bahrain as the second mobile provider deploying the 3G technology and is also planning to launch its services in the southern region of Iraq in the coming weeks. Wataniya Telecom already has 70,000 subscribers in its network in northern Iraq and has won the third GSM license in Algeria competing against Orascom Telecom (OT). Algeria is a very promising market with only 5% current penetration.

The structure of the Bahraini telecom market has changed with now MTC competing against Batelco, the fixed line monopoly operator and one of your top five holdings. This has resulted in a change of Batelco's strategy towards a more aggressive one regionally. The near saturation of the Bahraini market has lead Batelco's board approving the expansion in the regional telecom sector. This would change the company's growth prospects and might lead to a breakout from its long adopted trading range. The company pays a high yield of 7.8% and is trading at a large PE discount to its peers.

Available telecom opportunities within the first half of 2004 exist in the Iranian, Omani and Saudi markets. Wataniya raised new capital through a rights issue, and MTC is well positioned with two stable operations in Kuwait and Jordan. Batelco is a cash rich company with around 15% of the company's market capitalization in cash.

In Egypt, the make up of the mobile telecom sector is finally clearer, with Telecom Egypt buying 25% of Vodafone Egypt. Telecom Egypt will own 50% of the consortium managing the company and will result in the probable postponement of the launch of the third GSM operator in Egypt. This has positively affected the telecom sector in the market causing MobiNil and Orascom Telecom prices to increase 12% and 21% respectively during the month. We have increased the Fund's weight to the sector at the beginning of the month. OT is due to launch its operations in the central region of Iraq within the coming two weeks, after incorporating the effect of the Iraqi license in the model the company still looks cheap on relative and absolute basis trading at 16% discount to 2004 average emerging telecoms PE (Average source: HSBC).

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	34.8%
Regional Africa	21.8%
Egypt	18.2%
Regional ME	8.6%
TOTAL	**83.4%**

Table 2: Sector Breakdown

Telecom	71.1%
IT	5.3%
Media	2.9%

Table 3: Listed Stocks

Q-Tel	15.5%
MTN	13.2%
Batelco	9.6%
MobiNil	7.5%
Orascom Telecom	6.3%
Vodafone Egypt	5.5%
Bonds	4.1%
NMTC	2.9%
MTC	2.6%
Qatar Cinema	0.6%
TOTAL	**67.6%**

Table 4: Unlisted Stocks

MSI	8.2%
NTC	3.8%
Founoon	1.2%
Raya Holdings	1.1%
LuxSAT ME	1.1%
African Lakes	0.4%
TOTAL	**15.8%**

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 = 2,326,945

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 FUNDS 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$ 11.89

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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.