EFG-Hermes Telecom Fund
October 2006

Dear Shareholder,

Telcos Driving Growth!

We are proud to announce a 6% increase in your Fund's NAV. Your Fund's investments in high growth telecom stocks fuelled this performance and is expected to drive returns into positive territory before the end of the year.

MTC, your Fund's second largest holding, continues to deliver strong operational and financial results from 20 different markets through 24.9 million subscribers. The Company announced third quarter growth in revenues, EBITDA, and net income of 115%, 78%, and 64% respectively. These results came above our expectations and justified our outlook for the Company. The markets responded well to this news and subsequently the stock gained 18.6% during the month of October. With management expressing the company's ambition for continued expansion, we remain extremely bullish on MTC's performance and growth prospects.

With operations in Algeria turning EBITDA positive, Wataniya Telecom's expansion strategy is beginning to payoff. The Kuwaiti based operator was able to increase ARPU levels in all the six markets in which it operates since the first quarter of the current calendar year. The Company also posted positive third quarter results showing significant growth in revenues, EBITDA, and net income by 40%, 67% and 56% respectively. These strong results, coupled with the acquisition of the 2nd mobile license in Palestine, bode well for the future and drive our belief in the company.

Also releasing results during the month was Q-Tel, the Qatari based operator with operations in Oman. The Company was able to increase its subscriber base by 56.6% to reach a total of 1.33 million subscribers. The company's financial results were equally impressive, with revenue, EBITDA, and net income growing by 44%, 47% and 39% respectively. Towards the end of the month, management indicated that they have finalized three separate regional acquisitions, which they will be announcing in the upcoming weeks. Your Fund's management will be monitoring the situation carefully and will consider increasing its stake once more concrete information is available.

Mobinil, the Egyptian market leader, also released third quarter results showing revenues, EBITDA, and net income growing by 19%, 28%, and 23% respectively. Although these results reaffirmed Mobinil's previously known operational performance, the Fund's management is awaiting results from Vodafone in November before forming a solid investment opinion.

In South Africa, the regional telecom operator MTN released operational highlights from its core markets that showed significant growth in its subscriber base to reach 34.8 million. Additionally, the Company reported ARPU figures that came in above our expectations and reiterated our bullish outlook.

The strong results released during the month and the blistering pace of activity in the sector reaffirm our bullish stance on the regional sector. With at least three separate regional operators announcing plans for expansion in the coming months, and with a stream of strong results expected for the rest of the year, your Fund is expected to scale unprecedented heights.

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

NAV per share	USD 27.67
Launch Date	April 2000
Listing	Dubai Financial Market
Structure	Open End
Dividends Distributed	Mar 02: US$ 0.25, Aug 03: US$ 0.25, Jul. 04: US$ 0.12, Aug 05: US$ 1
Management fees	1.75%
Incentive fees	15% of outperformance
Benchmark	10% p.a. with high watermark

Investment Information

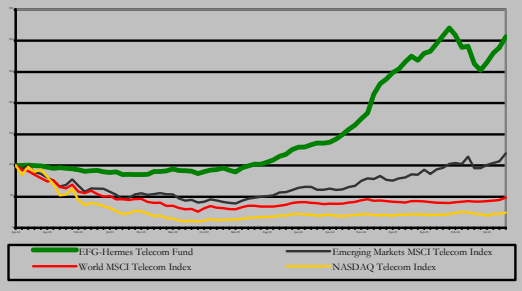
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	-0.4%
1 Month	5.9%
3 Months	15.3%
1 Year	8.3%

Risk Overview	
No. Years ▲	4
No. Years ▼	2
Best Yr ▲	67.3%
Worst Yr ▼	-10.7%

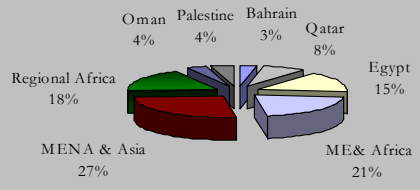
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
Orascom Telecom	MENA & Asia	19.8%
MTC	ME & Africa	16.4%
MTN	Regional Africa	9.8%
Q-Tel	Qatar & Oman	7.5%
Mobinil	Egypt	7.3%

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 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.

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