# The EFG-Hermes Middle East & Africa Telecom Fund
# August 2012

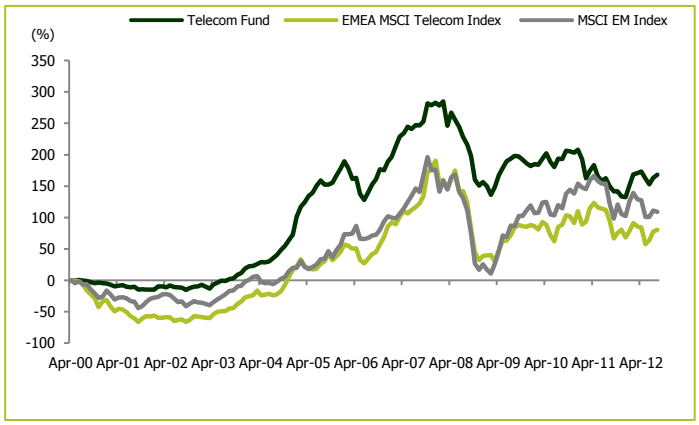
## Fund Manager's Strategy & Outlook

The EFG-Hermes Telecom Fund continued its rebound in August, gaining 1.9% during the month to bring its YTD gain to 15.3%. The late summer surge continued across the globe as regional and international investors bid prices up across most asset classes in anticipation of coordinated central bank intervention. During the month, the heads of the European Central Bank and the US Federal Reserve both intimated that policy responses would be forthcoming. This alleviated the pressure on European sovereign yields which have been wreaking havoc with global markets. Within our investable universe, positive results for Q2 and announcements on M&A transactions continued to drive the sector forward.

During the month, returns were boosted by holdings in Saudi Arabia, UAE, Qatar and Egypt. In Saudi and the UAE, Etihad Etisalat (Mobily) and Emirates Integrated Telecommunications Company (Du) benefitted from the strong Q2 results that both companies released last month. In the case of Qatar Telecom, the fund's largest holding, shareholders benefitted from strong Q2 results and news that the company would be tendering for the shares in Wataniya Telecom that it does not already own. Although the bottom line was impacted by FX losses stemming from the Algerian and Indonesian operations, revenues and operating profit showed decent growth. The company reported growth in revenue and EBITDA of 4.6% and 7.1% respectively. Moreover, reported EBITDA margin expanded 200 bps YoY. The investment manager is not overly concerned with the FX losses, as it is an income statement item and does not represent operational weakness. In terms of the Wataniya Telecom transaction, the deal should create value for shareholders in the medium term, as Wataniya's light balance sheet leaves scope for higher dividends or more acquisitions.

In Egypt, Orascom Telecom Holding (OTH) released Q2 results that showed operational strength despite FX weakness. Revenues and EBITDA increased by 0.8% and 6.8% respectively. More impressively, the company expanded its group EBITDA margin by nearly 300 bps. Given the difficult conditions the company is operating under in its largest market (Algeria), the results give us hope that the risks for the company are skewed to the upside should a rational agreement be reached with the government. The market continues to significantly undervalue that operation given all the uncertainty. Post the results, we are more comfortable taking this risk and have subsequently increased our holding.

Another good month for the fund has not changed our stance of cautious optimism. We see many ongoing drivers for continued volatility in the markets over the short term, and expect this to be the case over the next 3-6 months until there is more clarity in Europe and the US. As mentioned previously, we plan on mitigating this by focusing on our long term view and deploying our investments accordingly.




* Line Graph is as of August 2012.


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## Objective

Long-term capital appreciation through investing 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 Performance

| Returns | Telecom Fund |
|---|---|
| Month to Date* | 1.9% |
| Year to Date | 15.3% |
| 2011 | -24.5% |
| 2010 | 9.2% |
| 2009 | 9.9% |
| 2008 | -33.1% |
| 2007 | 32.5% |
| 2006 | 4.0% |
| 2005 | 60.6% |

| Returns | Telecom Fund |
|---|---|
| 1 year | 7.3% |
| 3 year | -10.1% |
| 5 year | -22.6% |
| Since Inception | 168.1% |

* MTD figures reflect performance between July 31st, 2012 and August 30th, 2012.

## Fund Characteristics

| | |
|---|---|
| No. of Holdings | 9 |
| Wtd. Market Cap | USD 6.6 billion |
| Dividend Yield* | 29.1% |
| P/E Ratio 12 | 10.3x |

*Figure reflects the weighted average yield of a dividend-bearing security in the fund

## Fund Metrics*

| | |
|---|---|
| Beta | 0.3 |
| Annualized Standard Deviation | 14.1% |
| Annualized Information Ratio | 15.5% |

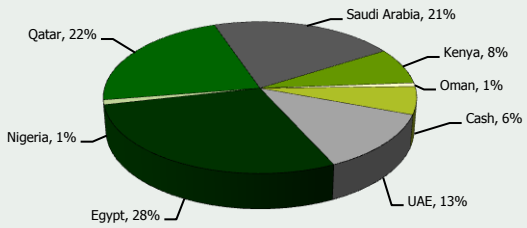
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

## Top Five Equity Holdings

| Holding | Country* | % of NAV |
|---|---|---|
| Qatar Telecom | Qatar | 17.7% |
| Etihad Etisalat | Saudi Arabia | 17.3% |
| Emirates Integrated Telecomm | UAE | 10.0% |
| Orascom Telecom | Egypt | 9.9% |
| Orascom Telecom Media & Tech. | Egypt | 8.8% |

* Country assigned by primary listing

## Allocation by Country




## Fund Data

| | |
|---|---|
| NAV per share | USD 26.81 |
| No. of Share Certificates | 667,922 |
| Launch Date | April 2000 |
| Management Fee | 1.75% |
| Incentive Fee | 15% |
| Benchmark | 10% with a high watermark |
| Expense Ratio | 2.2% |
| Minimum Subscription | USD 10,000 |
| Subscription / Redemption | Monthly |

## Fund Identifiers

| | |
|---|---|
| ISIN | BMG294021073 |
| Bloomberg Ticker | EFGHTEL BH |


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 Telecom 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.