EFG-Hermes Telecom Fund
May 2006

Dear Shareholder,

Your telecom sector has reached a highly attractive level that sets the sector in a position to outperform local markets in the coming period. This expected outperformance came as a result of highly attractive valuations with an average 12x 2006 PE for your Fund's investable universe, delivering more than 30% expected growth rate. Major events fuelling the telecom sector are confirming the expected positive trend. These events are cross country and/or region consolidations, new listings and licenses.

The month of May witnessed a continuation of the strong news flow positively affecting valuations of investments in your top holdings. Announcements ranged from large acquisitions to strong first quarter results.

Africa's largest operator, MTN, announced the acquisition of Investcom in a transaction worth USD 5.5 billion. The combined entity controls more than 28 million subscribers distributed over 21 markets with a total population of 488 million. This transaction added 4.9 million subscribers to one of your top ten holdings. Also it added ten new markets to its existing countries; the most important are Sudan, Yemen, Ghana, and Syria. Investcom compliments MTN operations and fortifies their commitment to the Middle East as a region following their purchase of a mobile license in Iran early 2006. The combined entity is currently trading at 9.3x 2007 PE with an expected earnings growth of 53% in 2006. Another acquisition was confirmed at the end of the month. MTC, your largest holding, announced the addition of one of the fastest growing telecom markets in the world to its portfolio. The Kuwaiti company acquired V-Mobile, the second mobile operator in Nigeria.

Orascom Telecom (OT), your Fund's second largest holding, released strong first quarter results. Group revenues and EBITDA were up 38% and 45% respectively over the same period last year, with a total subscriber base exceeding 35 million. Operationally, the company performed exceptionally well with market shares and margins increasing or stabilizing across 6 of its 7 core markets of operations. Additionally, the company was successful in stabilizing or even increasing ARPU levels in most of its markets of operations, this should allay most of the worries expressed by some analysts during the previous earnings release. We have already begun to see a recovery in the stock price during the last week of the month.

Also releasing first quarter results during the month were Vodafone and Telecom Egypt (TE). Vodafone, the second mobile operator in Egypt, managed to maintain its EBITDA margin above 50% with 63% net income growth compared to the same quarter last year. The company's subscriber base grew by an impressive 60% through acquiring 66% of the market's net active additions during the quarter, outpacing its rival and sending a strong signal to the potential third entrant. TE, the country's only fixed line operator is maintaining a robust 58% EBITDA margin. Investors are anxiously awaiting the results of the third mobile license auction, in which TE is bidding with Telecom Italia. The bid's technical results are expected in July, investors are adopting a patient stance to see what growth TE would offer in the coming years.

May was a turbulent month for global capital markets as fears of a US interest rate hike added downward pressure on Emerging Markets that were nearing the end of a market correction cycle. As a result of being one of the highest liquid sectors in Emerging Markets, the telecom sector was adversely affected by these developments. Subsequently your fund lost 9.7% during the month reaching 11.7x 2006 PE.

Positive news is expected to boost the sector's growth through major consolidations and new listings. 2006 already witnessed a series of news and a long list await telecom investors in the coming period.

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 23.75
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

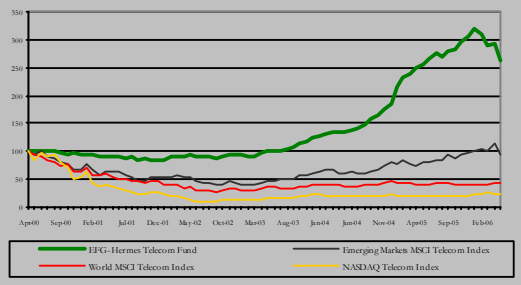
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	-14.5%
1 Month	-9.7%
3 Months	-14.9%
1 Year	3.2%

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

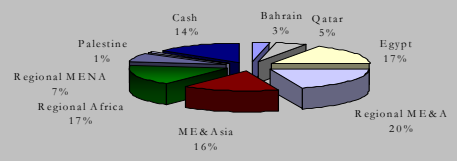
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
Orascom Telecom	Regional MEA & Asia	15.9%
MTC	Regional ME & Africa	15.7%
MTN	Regional Africa	9.4%
NMTC	Regional MENA	7.1%
MobiNil	Egypt	6.3%

Country Allocation



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