EFG-Hermes Telecom Fund
September 2006

Dear Shareholder,

The month of Septmeber witnessed the continued resurgence of the regional telecom sector and subsequently your Fund gained 3.3% during the month. This return is a result of the prudent allocation and in-depth analysis which your management undertakes . With the Fund gaining 14.5% over the last 3 months, it is our belief that we are witnessing the reversal of the correction cycle which had plagued regional markets during the first half of the year.

During the month of September, the Fund's management added a new investment to your portfolio. Through the combination of a top-down/bottom-up approach, management identifies attractive markets and situations that can provide investment opportunities for your portfolio. Recent analysis had shown that Oman was well positioned to benefit from the ongoing state of excess liquidity in the region. Omantel, the Omani integrated telecommunications provider, is the latest company to be added to your Fund's holdings. Up to early 2005, the company had enjoyed a monopoly on all telecommunication services in the Sultanate, until the regulator granted a second mobile license to the Qatari owned operator Nawras. This was a result of the liberalization drive that has swept across the regional sector in the last few years which has positevly affected our sector, encouraging the development of markets through increased competition and services. Through its superior subscriber mix and backbone network, Omantel has the necessary tools at its disposal to maintain its dominance and to profit from the development of the Omani market. With the company trading below its IPO price and at an attractive valuation (11.0x PE '07), we feel that exposure to Omantel and the Omani market make a good case for investment.

The month ended with more news coming from the increasingly active Egyptian market. Telecom Egypt (TE), the country's incumbent fixed line operator, announced plans to accquire a further 24.4% stake in Vodafone Egypt, bringing its total holding in the company to 49.9%. The transaction was executed on an attractive valuation (11.1x PE'07) and should deliver the growth that TE has been so desperately craving. After failing in its bid for the third mobile license in Egypt, TE was eager to gain exposure to the faster growing mobile segment. With recent transactions in the regional sector being conducted at pricey valuations, TE's management chose to increase its stake in Vodafone Egypt rather than get involved in increasingly competitve auctions. The market has reacted well to this news and subsequently TE's stock gained neary 15% since the announcement.

Also announced during the month was Vodafone Egypt's accquisition of a 51% in the telecom division of Raya Holdings for LE 104 Million . This is expected to provide Vodafone with a platform for offering enhanced voice and networking solutions, such as VOIP and WIMAX. With two international gateway licences coming up for auction during the upcoming period, this transaction leaves Vodafone well positioned to bid for a potentially lucrative license.

We feel that that the above mentioned events confirm our expectations of consolidation which we had previoulsy identified as the current industry trend. Your management expects a continuation of the sector's heightened activity in the coming months. We are awaiting results, announcements, and new listings which should all work to drive your Fund towards the outperformance that our investors have come to expect.

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 26.11
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

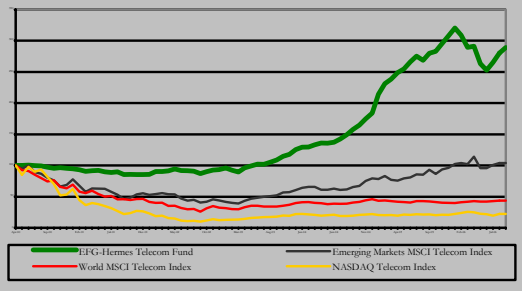
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Reuters Code	LCFR13, RSJA65, WDRIFMEA1
ISIN Code	BMG294021073

Fund Performance

Trailing Returns	
YTD	-6.0%
1 Month	3.3%
3 Months	14.5%
1 Year	7.7%

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

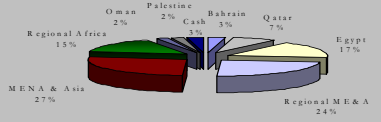
Telecom Fund Relative Performance



Top 5 Holdings

Holding	Country	% Holdings
Orascom Telecom	Regional ME & Asia	22%
MTC	Regional ME & Africa	20%
MTN	Regional Africa	9%
Q-Tel	Qatar & Oman	8%
Telekom SA	South Africa	6%

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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