المجموعة المالية هيرميس
EFG HERMES

# The EFG-Hermes Middle East & Africa Telecom Fund
## July 2010

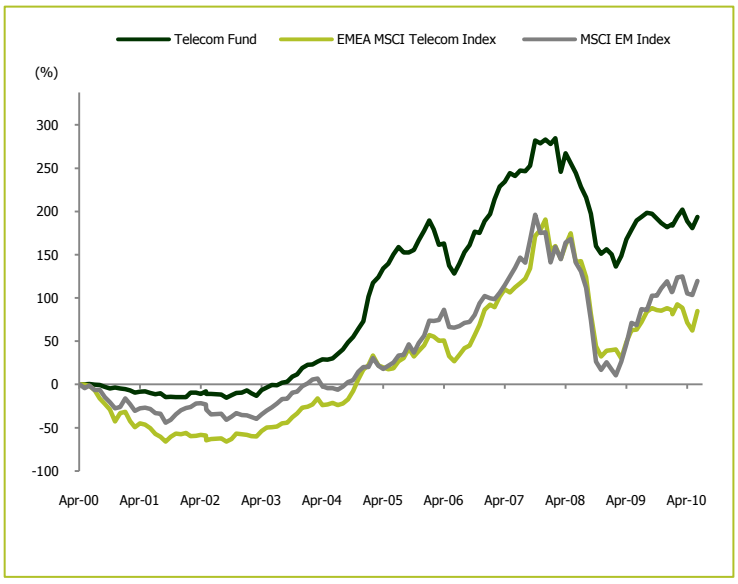
### Fund Manager's Strategy & Outlook

During the month, the EFG-Hermes Telecom Fund gained 4.7% as global markets rebounded from their two-month slump. The regional telecom sector benefited from improved investor sentiment and relatively strong 2Q 2010 financial results. This positive sentiment gained momentum as fears about the Eurozone debt crisis abated and positive global macro data trickled in. Although market volatility is a continued cause for concern, the Investment Manager believes in the fundamental value of the region's telecom sector. Positive performance over the month reinforced this view with holdings in South Africa and Saudi Arabia contributing the bulk of returns.

In South Africa, MTN Shares gained 15.8% during the month as the company announced that it will be focusing on cost-cutting and increasing dividends. This shift comes on the back of the operator's four failed acquisitions. With telecom assets becoming increasingly expensive, the company's management asserted that returning capital to shareholders is a more effective deployment of excess cash. As a long-term investor in this stock, the Investment Manager views this move as prudent given market uncertainty.

The Kingdom's second largest operator, Etihad Etisalat (Mobily), reported robust financial results for 2Q 2010, which drove its share price + 12.7% over the month. Mobily recorded growth rates of 24.2%, 22.8% and 33.5% in operating revenue, EBITDA and net income, respectively. The operator continues to reap the benefits of its data strategy as the company seeks to take the lead in the fast-growing, Saudi broadband market. Additionally, Etihad Etisalat's push into the post-paid voice segment is driving better margins and increased customer retention. This impressive set of results reaffirms the view that the operator continues to be one of the best-managed and attractively valued in our universe.

As we enter the final five months of the year, the Investment Manager will be rotating positions more actively as volatility persists. We will also keep a close eye on the correlation between regional and global markets as this continues to be a strong indicator of prevailing risk appetite.





Hashem Montasser – Head of Asset Management

Hashim Omran – Fund Manager

Mohamed Abdel Halim – Director
Tel: 9714-363 4047 / Fax: 9714-362 1171
E-mail: AMsales@efg-hermes.com


### 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* | 4.7% |
| YTD | 4.2% |
| 2009 | 9.9% |
| 2008 | -33.1% |
| 2007 | 32.5% |
| 2006 | 4.0% |
| 2005 | 60.6% |

| Returns | Telecom Fund |
|---|---|
| 1 year | 0.1% |
| 3 year | -15.4% |
| 5 year | 13.5% |
| Since Inception | 193.8% |

*Performance figures are reflective of the period from June 30th, 2010 to July 28th, 2010

### Fund Characteristics

| | |
|---|---|
| No. of Holdings | 13 |
| Wtd. Market Cap | USD 11.2 billion |
| Dividend Yield* | 4.3% |
| P/E Ratio 10 | 11.3x |

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

### Fund Metrics*

| | |
|---|---|
| Beta | 0.3 |
| Standard Deviation | 13.8% |
| Information Ratio | 0.9 |

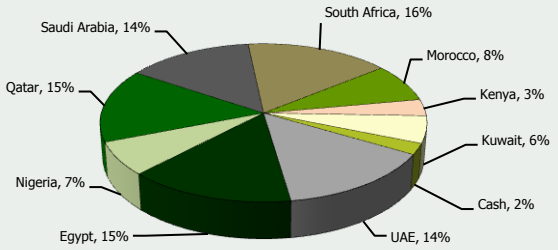
*Calculated vs. MSCI EMEA Telecom Index since Fund inception in April 2000

### Top Five Equity Holdings

| Holding | Country* | % of NAV |
|---|---|---|
| Qatar Telecom | Qatar | 15.1% |
| Thuraya Satellite Telecom | UAE | 14.3% |
| Etihad Etisalat | Saudi Arabia | 14.1% |
| MTN | South Africa | 12.9% |
| Maroc Telecom | Morocco | 7.9% |

* Country assigned by primary listing

### Allocation by Country




### Fund Data

| | |
|---|---|
| NAV per share | USD 29.38 |
| No. of Share Certificates | 745,774 |
| Launch Date | April 2000 |
| Management Fee | 1.75% |
| Incentive Fee | 15% |
| Benchmark | 10% with a high watermark |
| Expense Ratio | 2.4% |
| 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.