

During the month of June, the Egypt Fund was still affected by the slowdown in global markets due to fears of a series of US interest rate hikes. With the uncertainty toned down, the market witnessed a recovery in July with the HFI rising 11.2% during the first week of the month. Despite losing 9% during June 2006, your fund managed to beat the market and outperform the HFI by 0.9%.

The defensive banking stocks fared well during June, with EAB in the lead gaining 5% amid the overall downward trend of the market. EAB was also among the few positive contributors to the fund. This was backed by the finalization of the full merger between the bank and Calyon Egypt under the name of Credit Agricole Egypt. The much awaited merger was concluded through a share swap process, where every EAB share will get 3.65 shares of Calyon Egypt. The swap ratio was welcomed by market participants as it implies a P/B valuation of 3.9x for EAB and 1.3x for Calyon Egypt.

Companies are still impressing investors with 1Q06 results. Olympic Group reported 94% increase in y-o-y net profit to reach EGP 47 million. Moreover, Olympic Group announced the establishment of a real estate investment company between Namaa Real Estate, the company's 94% owned subsidiary, and Al Futtaim Group. Olympic Group's P/E 06 stands at 12.2x and will reach P/E 06 of 9.5x after the completion of the deal of Namaa Real Estate.

As for the cement sector, Misr Beni Swaif Cement (MBSC) announced strong 1Q06 results, reporting 70% y-o-y increase in net profit to reach EGP 50 million which came as a result of an increase in revenues by 58%. Net profit margin stood at 42.4%, improving by 3.1% y-o-y. This is mainly attributed to increase in cement prices accompanied by growth in local demand by 18%. The company recently announced doubling its production capacity to reach 2.8 million tons per annum.

Orascom Telecom (OT), your fund's top holding, announced during the month of June plans to increase its stake in Mobinil, the Egyptian mobile market leader, by 3.36%. Although OT's share price has recently underperformed, your Fund management believes that the current attractive valuations at which the stock is trading (9.0x PE '06, 5.6x EV/EBITDA '06) will soon begin to attract investors and cause a reversal in the latest negative trend.

We expect relatively high volatility during the coming period, unless the US announces a lower than expected interest rate increase, thereby causing the market's performance to pick up fuelled by the return of inflows from foreign institutional investors. In addition, some signs of recovery appeared as a result of the Egyptian government's announcement of the establishment of a new market maker fund with an initial size of around EGP 1.5 billion, financed by governmental institutions to provide market support at such volatile times.

We firmly believe that medium- and long-term investors will be able to realize around 40% returns on their investments over the coming 12-months. We adapt this view as the Egyptian stock market is still in the up-cycle that started in January 2003 and was expected to last for 7 years, only 3 years of which have passed. The market is undergoing a correction during the current year, whereby it might experience further price volatility over the coming 6 months. Accordingly, the investment manager will modify the investment strategy during the mentioned period to trade the market and capitalize on short- and medium-term profitable prospects through selling stocks at high prices and buying them again at lower levels. Afterwards, we expect the market to resume its upward trend for another 3 years. The rising trend is backed by positive company earnings, reflecting impressive growth rates and an improvement in the economic environment in general as mentioned earlier. In consequence, we advise you to evaluate the performance of the bourse over a full year period rather than a short period as the coming 6 months are likely to present an opportunity to increase the portfolio's investments.

Objective

The principal objective of the fund is long term capital appreciation through investing in Egyptian equity and equity related securities.

Fund Information

NAV per share	USD 29.09
Launch Date	Sept 1996
Listing	Irish Stock Exchange
Structure	Open End
Management fees	1.75%
Incentive fees	None
Benchmark	None

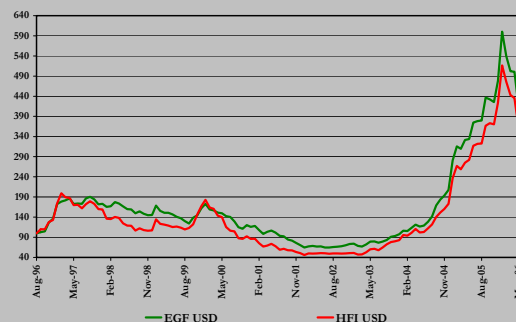
Investment Information

Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
Sedol	0-306-504
Reuters Code	LCFR13, RSJA55, CLSA51, WDRIFMEA1, ABNFUNDS15, MLSV
ISIN Code	BMG2948Y1093

Fund Performance

Trailing Returns		Risk Overview	
YTD	-21.6%	No. Years ▲	7
1 Month	-9.2%	No. Years ▼	3
3 Months	-25.3%	Best Yr ▲	130.7%
1 Year	0.1%	Worst Yr ▼	-39.2%

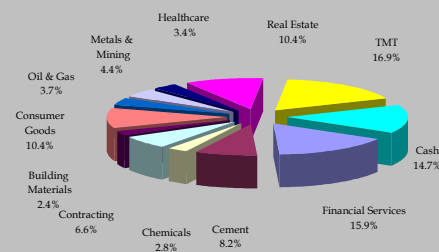
EGF Relative Performance



Top 5 Holdings

Holding	% Holding
Orascom Telecom	15.3%
Commercial International Bank	8.0%
Orascom Construction Industries	6.6%
Misr Beni Swaif Cement	5.0%
Olympic Group	4.8%

Asset 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 Egypt 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.