

The EFG-Hermes Middle East and Developing Africa (MEDA) Fund

December 31, 2006

Fund Manager's Strategy & Outlook

The MEDA Fund closed the year on a positive note adding more than 4.9% during the month benefiting from the strategy of being fully invested in expectations of a year end rally across the MENA Markets. Our value driven stock picking strategy was the predominant factor which caused The Fund to outperform all of the regional benchmarks, and close up 6.18% for the year.

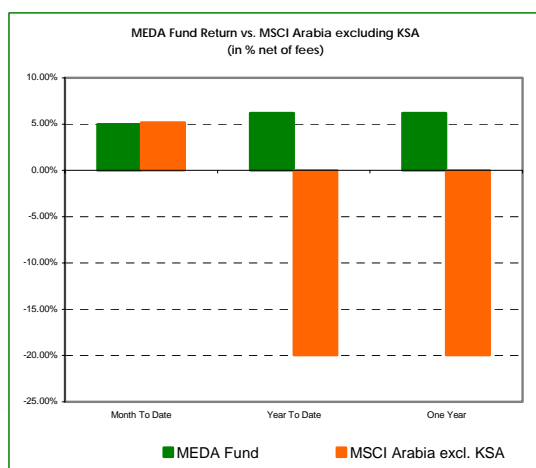
Our strategy to build positions early in the month in the Qatari Market whilst subsequently rebalancing our positions in the Egyptian and Kuwaiti Markets has benefited The Fund. Our active trading strategy in the UAE Market has helped The Fund realize some short term gains. Furthermore, we continued to increase our exposure to the Qatari Market as we have started to identify value plays following the recent strong correction. We have increased our exposure to Q-tel as we believe it will benefit from robust growth through its current operation and inorganically through potential acquisitions.

In the Egyptian Market we have locked in some profits in our blue chip holdings. Subsequently, we have added positions in the mid cap universe where we believe there are potential laggards which investors are yet to fully exploit. The market rally was triggered by increased foreign interest in the Telecom and Real Estate Sectors represented by Orascom Telecom and SODIC in the large cap space.

In Bahrain and Oman our holdings in the financial sector have rallied strongly, outperforming the overall index in both markets. Subsequently we have started to realize some profits in these markets.

In Morocco, we have closed our position prior to the market correction as we held the view that at current valuations the market presented limited upside potential.

We continue to remain positive on the region although we believe that we will witness increased volatility in 1Q07. We intend to exploit this volatility by identifying value through our active stock picking strategy. Furthermore we believe that the markets will stabilize following FY06 financial results announcements, and numerous opportunities will appear across our investment universe.



ASSET MANAGEMENT FACT SHEET

Objective

Long term capital appreciation through investing in listed Middle East and North African equities and equity-related securities.

Fund Performance

Returns	MEDA Fund	MSCI Arabia excl- KSA	Difference
Month to Date	4.98%	5.17%	-0.19%
Year to Date	6.18%	-19.95%	26.13%
One Year	6.18%	-19.95%	26.13%

Index history began 06/30/05

Fund Information

NAV per share	USD 24.05
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management fee	1.4%
Incentive fee	15% over 10%
Expense ratio	1.71%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG294041030
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

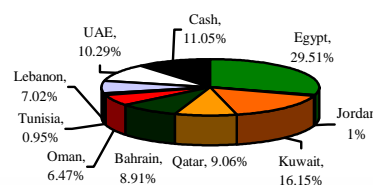
Fund Characteristics

No. of Holdings	34
Wtd. Market Cap. (mm)	USD4,010
P/E Ratio 07	12.56X
Beta	0.39
Sharpe Ratio	1.35
Tracking Error	2.26%

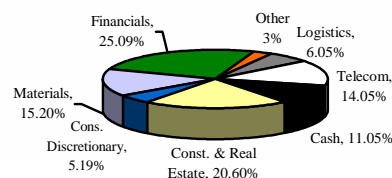
Top Holdings (%)

Holding	Country	% of NAV
Ahli United Bank	Bahrain	5.84%
SODIC	Egypt	5.44%
MTC	Kuwait	5.10%

Allocation By Country



Equity Allocation By Economic Sector



Hashem Montasser
 Head of Regional Asset Management
 Tel: 9714- 3634041
 Fax: 9714- 3621171
 e-mail: hmontasser@efg-hermes.com

Karim Nehma
 Fund Manager
 Tel: 9714-3634044
 Fax: 9714-3621171
 e-mail: knehma@efg-hermes.com