

The EFG-Hermes Middle East and Developing Africa Fund Limited (MEDA Fund) September 30, 2006

Fund Manager's Strategy & Outlook Onwards, upwards

The MEDA Fund continued to gain solid ground this month despite a mixed performance by the regional indices where all the GCC indices ended the month in negative territory, except for Saudi Arabia, Kuwait and Oman. Shorter trading sessions during the holy month of Ramadan pressured volumes in the first few days, but investors' buying appetite increased significantly on talk of positive 3Q06 financial results announcements. On the other hand North Africa witnessed a stellar performance during the month with all equity indices closing in the black and investors' focus shifting back to the large cap stocks.

The main catalyst behind this month's out-performance was our overweight allocation in Oman, Egypt and Kuwait (the best performing markets during the month). It has paid off with these markets gaining 7.0%, 5.0% and 4.6% respectively. The Omani market continued to gain ground as foreign investors increased buying into the market that is trading at a discount to most of the GCC. The Egyptian market was dominated by telecom players which gained significant ground after Telecom Egypt's acquisition of most of the free float of Vodafone and raising its stake to 49% at a premium of more than 20% to the market price. The Kuwaiti market also posted some gains after lagging its GCC peers during the past few months.

We have increased our overall equity exposure near the end of the month by adding to our positions in the UAE and Kuwait and reshuffling some of our positions in Egypt.

Going forward, we expect to maintain our high equity exposure while the focus will be shifted once again to opportunities in the small and mid caps where plenty of hidden value remains.

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	3.25%	1.27%	1.98%
Year to Date	2.38%	-20.50%	22.88%
One Year	11.44%	-23.11%	34.55%

Fund Information

NAV per share	USD 23.19
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management fee	1.4%
Incentive fee	15% over 10%
Expense ratio	1.9%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG294041030
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

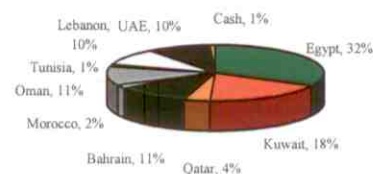
Fund Characteristics

No. of Holdings	39
Wtd. Market Cap.	4,797,365
P/E Ratio	12.8X
Beta	0.19
Sharpe Ratio	1.85
Tracking Error	13.48

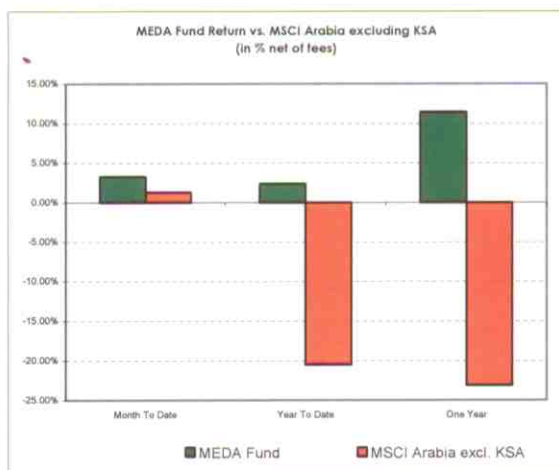
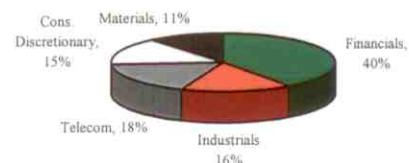
Top Holdings (%)

Holding	Country	% of NAV
Al Ahli United Bank	Bahrain	6.33%
Orascom Telecom	Egypt	6.02%
MTC	Kuwait	5.32%

Allocation By Country



Equity Allocation By Economic Sector



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