

The Egyptian economy remains strong with 6.1% GDP growth in Q2 05/06 and 25% increase in foreign reserves to hike to its highest level of US\$22.5 billion. International analysts became more positive on current valuations which trade at a high discount to Emerging Market peers with higher growth.

Telecom sector news fueled the market with positive announcements. Orascom Telecom (OT), the fund's largest holding, released strong results for 1Q06. Group revenues and EBITDA were up 38% and 45% respectively compared to the same period the previous year, with a total subscriber base exceeding 35 million. On the same note, Vodafone, Egypt's second mobile operator maintained its EBITDA margin above the 50% level with net income growth of 63% over the same quarter the previous year. Furthermore, investors are anxiously awaiting the outcome of the third mobile license auction, with 11 consortia comprising local, regional and international bidders competing to acquire the license. Telecom Egypt (TE) entered the race in a joint venture with Telecom Italia, with TE having a majority stake.

The Fund's second largest holding, regional construction giant Orascom Construction Industries (OCI), continued to report impressive results. OCI announced 54% y-o-y increase in net income during 1Q06 increasing its EBITDA margin to 28.8% compared to 25.5% for the same period the previous year as a result of a 35% rise in revenues.

The regions tourism and leisure hub, Orascom Hotels and Development (OHD) managed to impress investors yet again with its 1Q06 consolidated results. The company announced a net income for the quarter that is equivalent to 52% of total FY05 results. Occupying a place among the Fund's top holdings, the company continues to announce strong partnerships fueling its regional growth. OHD penetrated the Omani tourism market and established a joint venture with the government to develop four different tourism destinations in the Sultanate. The joint venture is to establish a total of 11 hotels with OHD owning 70% of the company.

The defensive banking stocks were also backed by strong 1Q06 results. El Watany Bank of Egypt reported a y-o-y increase in 1Q06 by 17% while the Commercial International Bank (CIB) reported an increase of 31% for the comparable period.

During the month of May, your Fund was negatively affected by the strong sell off wave that hit Emerging Markets post US increase of interest rates. Consequently, your Fund's returns retreated 17% during the month.

Your Fund's fundamental valuation became even more attractive trading at an 11x PE06 with more than 34% expected growth in 07. Companies' 1Q06 results came above expectations, supporting the high expected growth.

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 32.05
Launch Date	Sept 1996
Listing	Irish Stock Exchange
Structure	Open End
Management fees	1.75%
Incentive fees	None
Benchmark	None

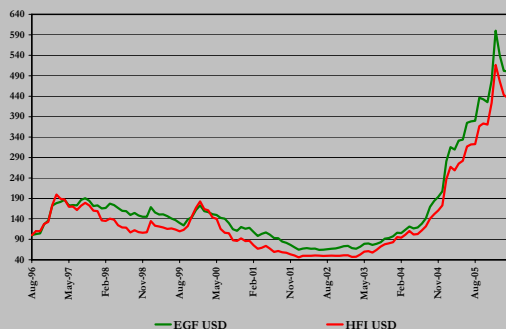
Investment Information

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	-13.6%	No. Years ▲	7
1 Month	-17.4%	No. Years ▼	3
3 Months	-23.4%	Best Yr ▲	130.7%
1 Year	23.8%	Worst Yr ▼	-39.2%

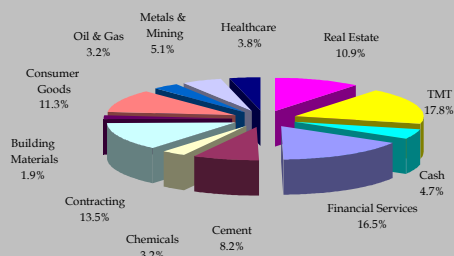
EGF Relative Performance



Top 5 Holdings

Holding	% Holding
Orascom Telecom	15.3%
Orascom Construction Industries	13.5%
Commercial International Bank	7.1%
Orascom Hotels & Development	6.1%
Olympic Group	5.2%

Asset Allocation



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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.