

The EFG-Hermes Middle East & Developing Africa (MEDA) Fund December 31, 2007

Fund Manager's Strategy & Outlook

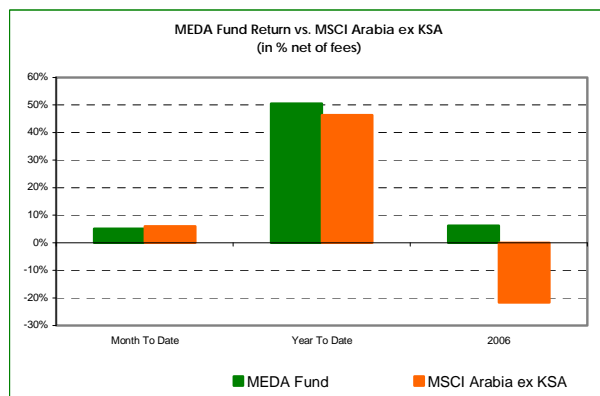
The MEDA Fund added 5.1% in December to close 2007 at 50.4%, while registering its sixth consecutive year of positive returns. The Investment Manager's decision to overweight the GCC markets at the start of the year benefited the Fund as the majority of the attribution for the 2007 returns came from the GCC. The MENA markets closed the year on a strong note, with the Saudi market leading the way for the second consecutive month with an 18% return for December. The UAE markets also performed well with Dubai and Abu Dhabi advancing 11% and 9.5%, respectively.

In North Africa, the Egyptian market maintained its strong momentum registering an 8% return in December. The financial services sector was among the standout performers, and the Fund's holdings benefited from this rally. Moreover, the Fund continues to retain a minor exposure to the Jordanian and Moroccan markets.

In the GCC markets, the Saudi Arabian market displayed a strong performance throughout the month. The rally was broad based with the banking and petrochemical sectors leading the way. Speculation about opening the market to foreign investors in the near future coupled with the gradual restoration of retail investor confidence has helped drive that market higher. The Investment Manager has reshuffled the Fund's positions to capitalize on the strong two month rally.

In the UAE, the real estate sector was among the top performing sectors. The Fund was well positioned to benefit from this rally and we maintain a positive view on the Dubai and Abu Dhabi markets given the attractive valuations and compelling earnings growth outlook.

The Investment Manager maintains a positive outlook on the MENA markets going into 2008. Increased IPO and M&A activity, attractive valuations and earnings growth rates, coupled with the currency revaluation possibility should be the supporting drivers for 2008. Furthermore, ongoing structural changes with respect to corporate governance should result in an increased interest from foreign institutional investors who were instrumental in driving the markets higher in 2007.



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Objective

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

Fund Performance

Returns	MEDA Fund	MSCI Arabia excl- KSA	Difference
Month to Date	5.14%	5.95%	-0.80%
Year to Date	50.48%	46.29%	4.18%
2006	6.18%	-21.73%	27.91%
2005	60.87%	NA	NA
2004	52.71%	NA	NA

Fund Information

NAV per share	USD 36.19
No of share certificates	21,744,104
Launch Date	July 2, 1999
Listing	Dubai Financial Market
Structure	Open Ended
Management fee	1.4%
Incentive fee	15% over 10%
Expense ratio	1.69%
Minimum Subscription	USD 10,000
Subscription/Redemption	Monthly
ISIN	BMG294041030
Sedol	0-675-970
Reuters Code	EDRG
Bloomberg Ticker	EFGMEAF BH

Fund Characteristics

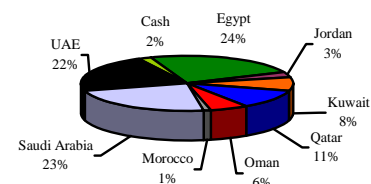
No. of Holdings	41
Wtd. Market Cap.(mm)	USD12,224
P/E Ratio 08	13.60x
Beta	0.75
Information Ratio*	1.69
Tracking Error	7.68%

* Calculated vs. MSCI Arabian Markets ex KSA

Top Holdings

Holding	Country	% of NAV
Talaat Mostafa Group	Egypt	5.59%
Emaar Economic City	Saudi Arabia	5.06%
Etihad Etisalat	Saudi Arabia	4.90%
Emaar	UAE	4.74%
KIPCO	Kuwait	4.62%

Allocation By Country



Allocation By Economic Sector

