

The EFG-Hermes Middle East & Developing Africa (MEDA) Fund January 31, 2008

Fund Manager's Strategy & Outlook

The MEDA Fund had a negative return of 1.6% in January on the back of very challenging market conditions. The MENA markets witnessed a strong mid month sell-off on the back of the recent turmoil in global markets. The Saudi Arabian market was the worst performing market, declining 13%. Dubai and Qatar declined 5% and 1% respectively. Furthermore, the Egyptian market was not insulated from the sell-off, declining 2%.

The Egyptian market witnessed indiscriminant selling across the board during the middle of the month, with the financial and telecom sectors among the worst performers. The Egyptian economy should continue to post solid growth as strong domestic demand stemming from the consumer boom, coupled with sound economic policies should translate into strong foreign direct investment levels. The Investment Manager will continue to focus on quality companies in that market. Moreover, the Fund continues to retain a small exposure to the Jordanian and Moroccan markets.

In the Dubai market, foreign institutional selling was the primary driver behind the mid month sell-off. Retail investor panic exacerbated the sell-off. The Investment Manager took advantage of the mispricing across the board to reshuffle the Fund's holdings.

The Kuwaiti market was the best performing market in the GCC, gaining more than 7%. The recent announcement by the Kuwaiti parliament to remove the 55% capital gains tax on foreign investors, helped attract institutional investors to that market. This interest should be sustainable for the foreseeable future, as that market is uncorrelated to the global markets, and is among the most liquid markets in the region.

The Investment Manager believes The GCC macroeconomic fundamentals remain sound, and their economies should be relatively insulated from a global slowdown. Stock selection will be key in 2008 as volatility is expected to increase. The recent correction has provided the Investment Manager with an attractive entry point in selective stocks where we continue to identify upside potential.

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	-1.63%	1.80%	-3.43%
Year to Date	-1.63%	1.80%	-3.43%
2007	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 35.60
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

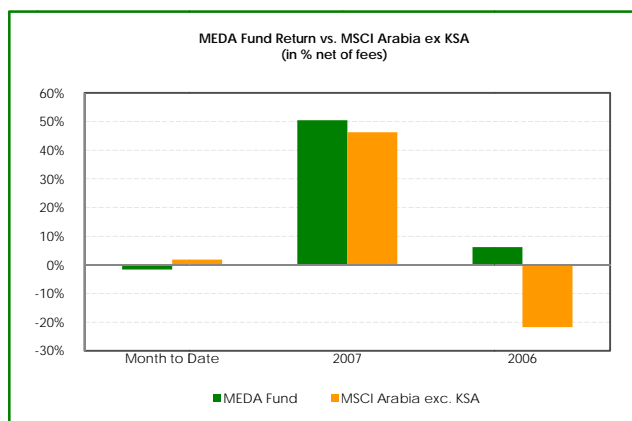
Fund Characteristics

No. of Holdings	39
Wtd. Market Cap.(mm)	USD 9,090
P/E Ratio 08	13.5x
Beta	0.74
Information Ratio*	1.41
Tracking Error	8.11%

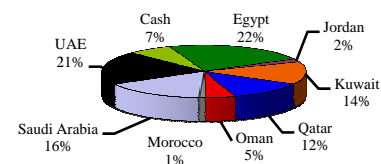
* Calculated vs. MSCI Arabian Markets ex KSA

Top Holdings

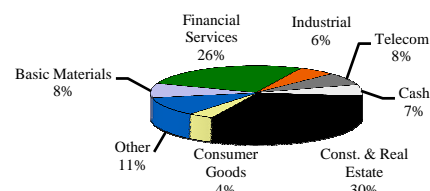
Holding	Country	% of NAV
KIPCO	Kuwait	7.28%
Emaar Economic City	Saudi Arabia	4.65%
Etihad Etisalat	Saudi Arabia	4.50%
Talaat Mostafa Group	Egypt	4.42%
National Bank of Kuwait	Kuwait	4.30%



Allocation By Country



Allocation By Economic Sector



Hashem Montasser – Managing Director

Karim Nehma – Fund Manager

Mohamed Abdel Halim – Vice President
Tel: 9714-3634047 / Fax: 9714-3621171
e-mail: mahalim@efg-hermes.com