



Exempted company incorporated in the Cayman Islands
Registration number CR116236
Fund license number 5447

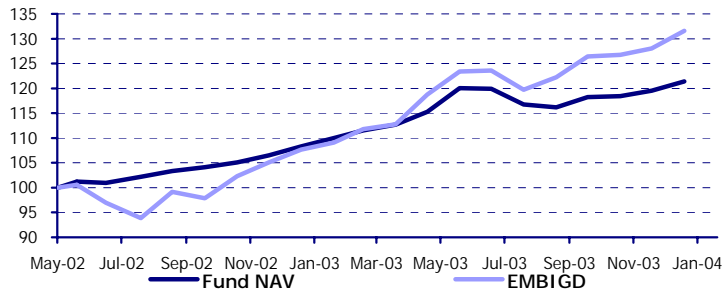
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*The fund distributed dividends of \$5.31 / share in January 2003

Fund Objective

To provide high total returns through investments primarily in US Dollar denominated debt securities issued by Arab governments.

Relative Performance



The Fund Manager's Overall Outlook & Strategy

The Arab Income Fund's NAV rose to **115.45**, up **1.6%** month on month. For the year, TAIF returned **12.08%**.

2003 eventually produced the first sustained recovery in world wealth and global risk appetite since March 2000, with risky assets (emerging market bonds +22.1%, emerging market equities +55.8%, developed equities +28.6% and high yield corporate bonds +27%) strongly outperforming safer assets (bonds +1.4%).

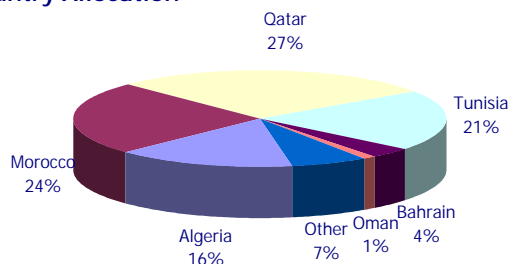
On a risk-adjusted basis, however, low grade credit, and especially US high yield, was the star performer of 2003. For the year as a whole world wealth posted a total return of 22%. Global government bond yields hit 40-year lows in June, before suffering a brutal sell-off in the summer. The dollar was weak throughout the year, losing 16.5%, 10.5% and 18.7% percent against the euro, the yen and the Canadian dollar, respectively.

TAIF had another solid year returning just over 12% in 2003. The result is significantly more impressive when one realizes that Arab debt is quickly climbing the credit curve and TAIF has maintained an investment grade rating 3 notches above EM bonds throughout the year, making TAIF increasingly less "risky". **Bahrain, Qatar, Saudi Arabia, Tunisia, and Jordan** all received upgrades of one notch or more while **Egypt** was the only exception with a local currency downgrade in 2003.

Our outlook for 2004 is slightly contrarian and more risk averse than the general market consensus. We feel safer assets will perform better than expected. The US dollar will be critical in determining long term interest rate levels, as will improvements in general economic conditions in the US, which we feel are susceptible to further weakness as fiscal efforts to stimulate the economy lose their current momentum. Arab debt, backed by improving credit worthiness and economic fundamentals, should have a positive year.

We would like to take this opportunity to announce our decision to distribute **USD 10.3 per share in dividends**, or 10% of Dec 03 NAV, and to wish you all a happy, healthy and prosperous 2004.

Country Allocation



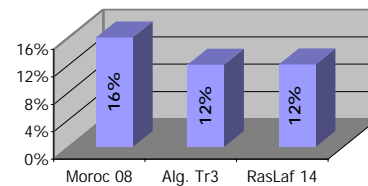
Performance Measures EMBIGD Mkt Index

Performance Measures	EMBIGD Mkt Index	TAIF NAVs	
		Unadjusted	Adjusted
Current	224.88	121.40	115.45
Since Inception	31.60%		21.40%
YTD	22.21%		12.08%
MTD	2.79%		1.57%
Historic Volatility ¹	6.54%		4.52%
Sharpe Ratio ¹	0.49		0.67

¹ Monthly data Since Fund Inception

² EMBI Global Diversified Index

Top 3 Allocations



Fund Manager

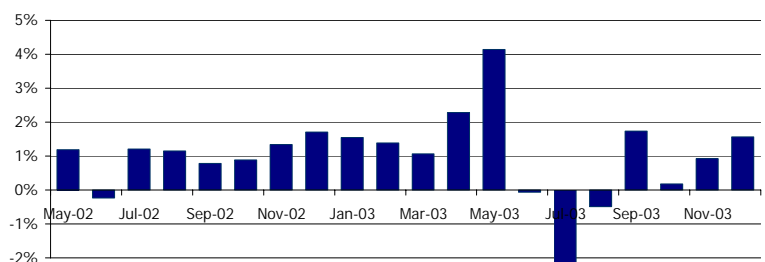
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Analysts

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Fund Type:	Open-Ended
NAV/S-Subscription/Redemption:	Monthly
Inception Date:	13-May-02
Management Fees:	1.25%
Sponsor & Manager:	SHUAA CAPITAL PSC
Administrator:	Close Brothers (Cayman) Ltd.
Global Custodian:	Royal Trust Corp. of Canada
Auditors:	Deloitte & Touche
Incorporation:	Cayman Islands
Next Dealing Day:	2-Feb-04
Last Day for Next Subscription	28-Jan-04
Reuters Page:	SHUAA03
Bloomberg Code:	ARABINC KY <EQUITY>
ISIN Number:	KYG184651076
CUSIP Number:	G18465107
Coverage:	Lipper, Morningstar, S&P, Altvest.

Monthly Returns



Performance Analysis Since Inception

Best Month	4.14%
Worst Month	-2.65%
Number of Up Months	16
Average Gain	1.44%
Number of Down Months	4
Average Loss	-0.86%