



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

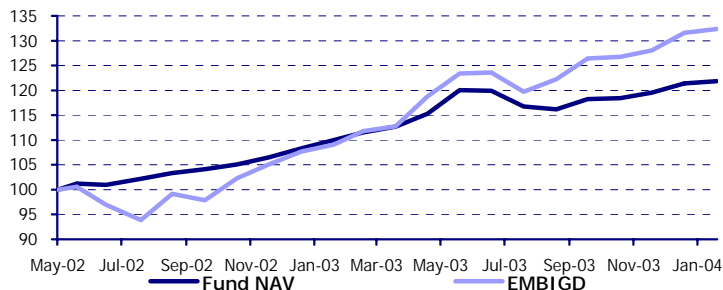
Emirates Towers, 28th Floor, P.O. Box 31045, Dubai - UAE.  
Tel: (9714) 330 4600 - Fax: (9714) 330 3550  
[www.shuaacapital.com](http://www.shuaacapital.com)

\*The fund distributed dividends of \$5.31 / share in January 2003 and \$10.3 / share in January 2004

### 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

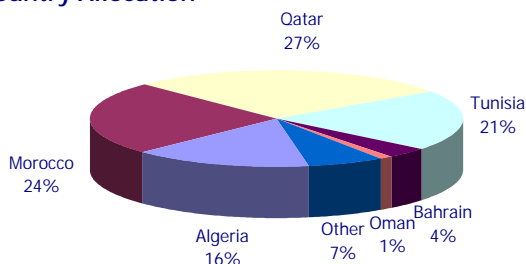
The Arab Income Fund's NAV rose to **105.53** up **0.36 %** for the month of January. Emerging markets, which began the month with very strong gains, reversed course mid month and ended with modest gains.

January has set up one of the more interesting bets of the year: Whether or not the Federal Reserve will raise interest rates during this election year. Market expectations currently imply a fed hike of 50 bps by June this year. Our view is quite contrarian. Although higher long term rates are a very real risk, we maintain that the Fed will not raise rates prior to November elections. Even with strengthening US macro data and apparently benign inflation, the fact remains that this increased economic activity has not led to significant improvements in the labor market while structural risks keep increasing with both budget and trade deficits. The Fed will have no choice but to keep the costs of servicing America's extremely levered economy as low as possible, especially as calls to contain the budget deficit increase later in the year.

Looking at our own back yard, we see very visible increases in corporate issuance. The majority of issues, even if slightly expensive, will perform reasonably well and we plan to take advantage of the opportunities they present. Emirates Bank International, Mashreqbank, Tabreed, Ras Laffan and Jordan Phosphate have all announced new issues.

On the economic front, **Bahrain** said it is very close to signing of a free trade agreement with the US, significantly improving trade prospects in the Kingdom. **Egypt** announced that its economy grew 4.2% in its first fiscal quarter, exceeding expectations. **Algeria** registered a USD 10.3 billion trade surplus in 2003 with imports rising 8.3% and exports 26.6%. **Libyan** prime minister Shokri Ghanem said attracting foreign and domestic investment is the country's main priority as it emerges from international isolation and decades of economic mismanagement. He announced plans to privatise more than 350 companies. **Lebanon** meanwhile abandoned any immediate plans to privatise its mobile phone sector after a long awaited auction and tender failed.

### Country Allocation



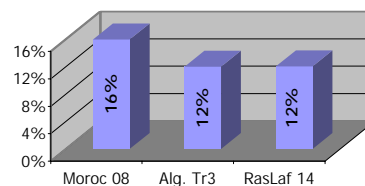
### Performance Measures EMBIGD Mkt Index

Performance Measures	EMBIGD Mkt Index	TAIF NAVs	
		Unadjusted	Adjusted
Current	297.68	121.83	105.53
Since Inception	32.37%		21.40%
YTD	0.58%	▲	0.36%
MTD	0.58%	▲	0.36%
Historic Volatility <sup>1</sup>	6.39%		4.43%
Sharpe Ratio <sup>1</sup>	0.49		0.67

<sup>1</sup> Monthly data Since Fund Inception

<sup>2</sup> EMBI Global Diversified Index

### Top 3 Allocations



### Fund Manager

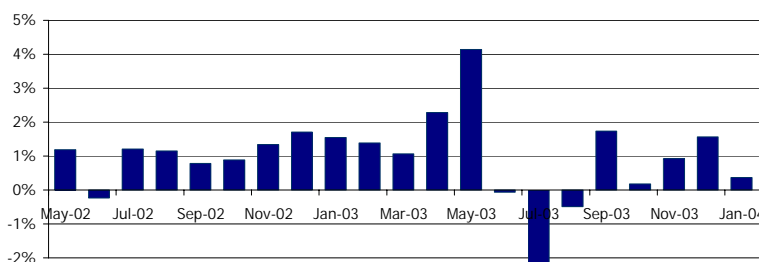
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### Analysts

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<b>Fund Type:</b>	Open-Ended
<b>NAV/S-Subscription/Redemption:</b>	Monthly
<b>Inception Date:</b>	13-May-02
<b>Management Fees:</b>	1.25%
<b>Sponsor &amp; Manager:</b>	SHUAA CAPITAL PSC
<b>Administrator:</b>	Close Brothers (Cayman) Ltd.
<b>Global Custodian:</b>	Royal Trust Corp. of Canada
<b>Auditors:</b>	Deloitte & Touche
<b>Incorporation:</b>	Cayman Islands
<b>Next Dealing Day:</b>	1-Mar-04
<b>Last Day for Next Subscription</b>	26-Feb-04
<b>Reuters Page:</b>	SHUAA03
<b>Bloomberg Code:</b>	ARABINC KY <EQUITY>
<b>ISIN Number:</b>	KYG184651076
<b>CUSIP Number:</b>	G18465107
<b>Coverage:</b>	Lipper, Morningstar, S&P, Altvest.

### Monthly Returns



### Performance Analysis Since Inception

Best Month	4.14%
Worst Month	-2.65%
Number of Up Months	17
Average Gain	1.38%
Number of Down Months	4
Average Loss	-0.86%