

Palos International Equity Income Fund plc

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LETTER TO INVESTORS

I would like to bring your attention to a worthwhile investment that has been delivering superior returns.

In the fall of 2001, I launched Palos Capital Corporation, an investment management firm, specialized in Income Trusts. The firm is regulated by the Quebec Securities Commission, has two research analysts, three traders, one economist, one compliance officer and two book-keepers. It has a six man board of directors of which four are non-executive directors of the company.

The Firm has various funds under its management. The Palos Income Trust Fund, L.P. is for Canadians, the Mvest Opportunity Fund, LLC for U.S. Citizens, and the Palos International Equity Income Fund plc for non-residents of Canada and the U.S.* We also offer segregated accounts for individuals and institutions. Each of our three funds and segregated accounts is oriented toward equity income.

The Palos International Equity Income Fund plc follows a similar investment objective to that of the Palos Income Trust Fund, L.P. in Canada. Specifically, the Fund seeks to preserve capital and generate income as well as capital and trading gains by investing in the publicly traded equity income securities in Canada, the U.S. and other major countries.

The Fund's general investment philosophy is based on fundamental research in order to find financially strong businesses that are determined to be undervalued and have sustainable income stream. What makes the Fund unique however, is its use of short-term trading strategies and employment of proprietary trading technologies in order to enhance returns. As a result, our funds have generated competitive distributions.

Trading Activities	Fundamental Research
<ul style="list-style-type: none">• Taking advantage of market slippage.• Engaging in bid/ask exploitation.• Entering into dividend capturing plays.• Investing in market neutral "pair trading".• Using options strategies to generate additional income.• Taking advantage of the mis-pricing of closed-end funds.• Syndication trading.	<ul style="list-style-type: none">• Proprietary credit score that rates individually all listed income trusts.• Comparative evaluation of income trusts to peer publicly traded corporations• Specialized credit market model.

Distributions will be paid each quarter based on income received and capital gains made by the fund less management fees and brokerage fees. The intention is to pay out 100% of what the fund will generate as realized gains.

We believe that we have been able to reduce risk by:

- Actively managing the portfolio.
- Conservatively diversifying the portfolio.

Income trusts are an asset classes that deserves attention as a credible alternative for investors seeking desirable income returns under a measured and mitigated risk management approach.

Kindest personal regards,

Hubert R. Marleau
President

* Dublin fund is domiciled in Ireland and is a non-UCITs fund to be listed on the Irish Stock Exchange pending listing approvals from IFSRA, the Irish regulator. There is no withholding tax for investors of this Irish listed fund. Our US fund is domiciled in Delaware (USA) and commenced operations in September 2004. The US fund is primarily intended for US citizens and US residents.