

IGI Income Fund

Fund Manager's Report - December 2008

IGI Income Fund Rated "4 Star" by PACRA
AMC Rated "AM3" by PACRA

Fund Facts

Asset Class	Fixed Income
Fund Type	Open-end
Fund Lifespan	Perpetual
Benchmark	1-month KIBOR
Launch Date	April 14, 2007
Dealing Frequency	Daily
Capital Gains Tax	As per tax laws
Pricing	Forward Day
Sales Load	Currently 0%
Management Fee	1.25%
Minimum Initial Investment	PKR 5,000/-
Minimum Subsequent Investment	PKR 1,000/-
Trustee	CDC Pakistan Limited
Auditor	KPMG, Taseer Hadi & Co.
Listing	Lahore Stock Exchange

Fund Stats

Duration (months)	3.39
Standard Deviation	0.14
Sharpe Ratio	-0.11
Information Ratio	-0.28
Expense Ratio *	2.28%

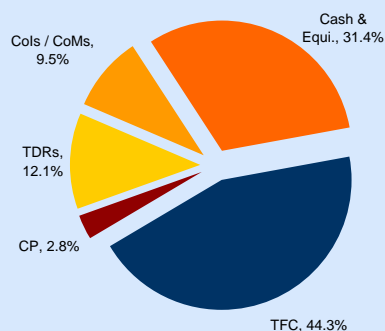
	December '08
Fund Size (PKR mn)	1,356
NAV (PKR)	99.5890
Monthly Return	15.27%

* Ratio of total expenses including management fee to the average annual net assets.

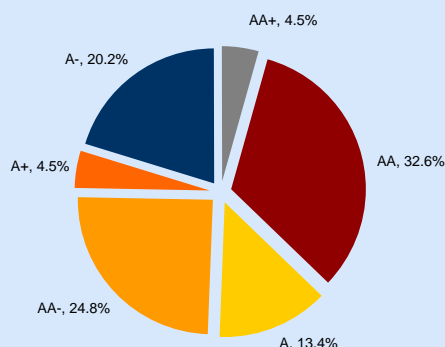
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using Since Inception returns. Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

Fund Position as at December 31, 2008

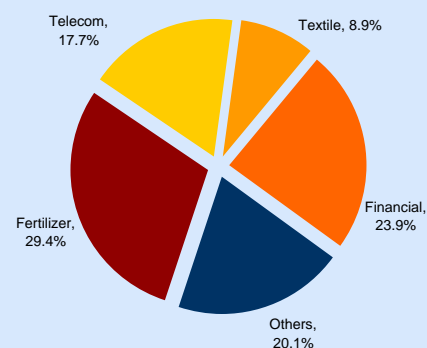
Asset Allocation



Credit Splits



TFC Portfolio



Disclaimer: All Investments in Mutual Funds are subject to market risk. The NAV based prices of units & any dividends/returns thereon are dependent on factors affecting the financial markets. These may go up & down based on market conditions. Past perform



Investment Objective

The investment objective of IGI Income Fund (IGIIF) is to minimize risk, construct a liquid portfolio of fixed income instruments and provide competitive returns to the Unit Holders. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance with applicable laws.

Investment Review - December 2008

Environment

The Country's default risk on external obligation was greatly reduced on one hand, and foreign exchange reserve adequacy ratio improved on the other. This positive situation was achieved largely because of the IMF program. Oil prices plummeted by 70% from the peak in July 2008 to the month under review, but the greater-effect is yet to be passed on to the end users.

Inflation for the period July 08 - Nov 08 stood at 24.70%, with November inflation (on YoY basis) registering at 24.70%. The marginal decline in inflation, is on account of lower commodity prices.

1-Month and 6-Month KIBOR averaged 14.28% and 14.77%, respectively with rates remaining on the higher side for the majority of the month under review.

Future Outlook

Lending rates are expected to remain similar to the December-end rates for mid-tier banks. Apart from large banks, mid-tier commercial banks are likely to continue high lending rates, in order to be well positioned in the deposit-war.

In absence of further foreign inflows (second tranche of IMF), the market might be in a starved situation, and the necessity might push lending rates further upwards.

There is some uncertainty on the future actions of the SBP with a new governor at the helm and inflation - while on the decline - still persisting at high levels. January will provide a clearer direction on interest rates as SBP's action on the discount rate becomes clear. There are a range of opinions in the market from no hike to even a 200 basis points hike.

Fund Activity

There were major shifts in asset classes in the month under review, compared to the previous period's asset pies. The cash & cash equivalents weight was increased, as medium and long-term maturities were held as cash, to cater for the timely need for the calendar year last quarter.

Small amount of TFCs were opportunistically sold at the SECP-set prices during the month to bolster liquidity further and reduce the maturity profile of the fund slightly.

Fund Performance

The Net Assets of the Fund stood at PKR 1,356 million and the NAV stood at PKR 99.5890 for the period under review.

The Fund recovered well from the SECP's downward TFC pricing in the previous month. Comparatively, the Fund raced to the position of second runner-up amongst its peers.

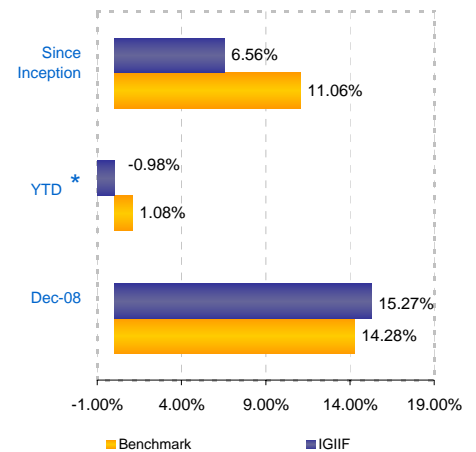
Furthermore, the Fund was rated '4 star' (PACRA rating) amongst fixed income funds. And the management company has moved up one notch, from "AM3-" to "AM3", for the period FY08 (July '07 - June '08).

Future Strategy

We will continue to retain liquidity by staying in shorter duration assets and raising cash where feasible. However, we will closely monitor the trajectory of inflation and the SBP stance. If we see a peaking out of rates, we will extend the duration.

The Fund is positioned for deployment to tap any advantage from the upcoming Monetary Policy in the month ahead.

Returns Comparison



* Returns are computed on absolute basis

*Calculation of the returns

The returns of the fund are calculated as per the MUFAP's standard methodology, Morning Star Model. The model referred (Ref: MUFAP/08-09/MEM01/04) was circulated through a letter on July 04, 2008.

IGI Funds Limited

7th Floor, The Forum, Suite No. 701 - 713, G - 20, Khayaban-e-Jami, Block - 9, Clifton, Karachi - 75600

UAN: (+92.21) 111.FOR.IGI (111.367.444) Fax: (+92.21) 227.2415

E-mail: funds.services@igi.com.pk