

IGI Income Fund

Fund Manager's Report - July 2008

Fund Facts

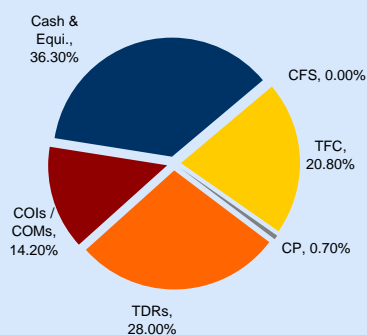
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|-------------------------------|-------------------------|------------------------|-------------------|
| Management Company | IGI Funds Limited | Benchmark | 1-month KIBOR |
| Fund Type | Open-end | Fund Size (Net Assets) | PKR 3,517 Million |
| Fund Lifespan | Perpetual | NAV per Unit | PKR 100.9325 |
| Launch Date | April 14, 2007 | Duration (months) | 3.14 |
| Dealing Frequency | Daily | Standard Deviation | 0.43% |
| Capital Gains Tax | As per tax laws | Sharpe Ratio | 0.32 |
| Pricing | Forward Day | Information Ratio | (0.64) |
| Sales Load | Currently 0% | Return | 10.47% |
| Asset Class | Fixed Income | Expense Ratio * | 1.57% |
| Management Fee | 1.25% | | |
| Holding Period | None | | |
| 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 | | |

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

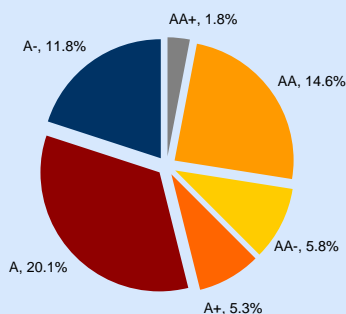
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using monthly returns for FY08 and Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

Fund Position as at July 31, 2008

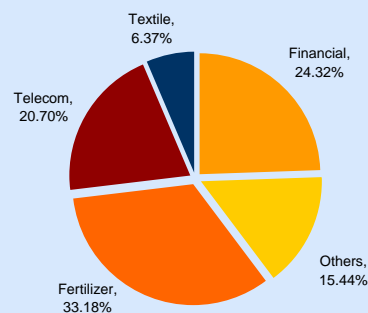
Asset Allocation



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

IGI
Funds

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 - July 2008

Environment

The Monetary Policy announcement by the State Bank of Pakistan (SBP) towards month-end, were inline with the market's perception. The increase of discount rate by 100bps to 13.00% was fairly incorporated by the market players. The Governor SBP highlighted the measure to mitigate the risk related to rising external current account and fiscal deficit.

Inflation for the period July 07- June 08 (FY08) stood at 12%, whereas, for the month of June (on YoY basis) it was at 21.50% - the highest level in thirty years.

1-Month and 6-Month KIBOR averaged 12.82% and 14.11%, respectively, due to dearth of liquidity in the interbank market. CFS financing rate in the Mark II system averaged at 15.04% against previous month's average CFS rates of 16.36%.

Future Outlook

The State Bank is desirous of keeping lending rates inline with the liquidity in the market. This is likely to keep downward pressure on lending as well as deposit rates and instruments having floating rate profits will suffer.

On the equity financing front, the financing rates are likely to stay under pressure due to lack of participation by the investors' in the market.

Due to high inflation rates, currency under pressure, and high current account deficit, asset markets will remain depressed. Therefore a conservative stance is warranted due to this outlook.

Fund Activity

The fund maintained high liquidity in cash accounts with different banks, owing to the attractive profit rates. The expectation of rise in interest rates was also the reason behind higher allocation to cash & cash equivalents.

Furthermore, the fund reduced its allocation to low yielding floaters and placements. The implication of this decision will be more visible in the coming months when SBP's stance of reducing KIBOR rates to make it a fair representative of the interbank market comes into effect thereby putting pressure KIBOR linked floaters.

Fund Performance

The Net Assets of the Fund stood at PkR 3.517 billion and the NAV per unit stood at PkR 10.9325 for the period under review.

For the month of July, the Fund yielded a return of 10.47%* p.a. (against the benchmark's average of 12.82%).

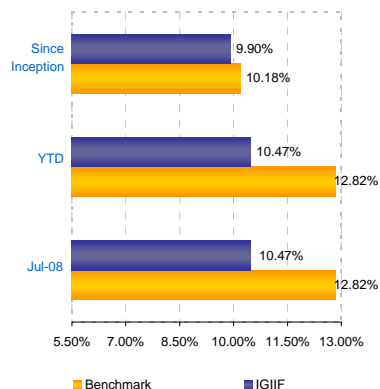
The weighted average duration of the portfolio stood at 3.14 months from 3.46, a month earlier. The low duration of the portfolio reflects the Fund's conservative stance.

IGIIF continued to offer positive risk-adjusted return with lower volatility, positive Sharpe ratio of 0.32 and one of the lowest standard deviation of 0.43%, among peer funds.

Fund Strategy & Outlook

The fund expects higher yields for the future as deposits placed at lower yields reach maturity. As per the maturity profile, 15% of deposits are maturing in the next quarter. Placements of maturing funds at current market rates would help drive the yield of the fund higher.

Returns Comparison



Rolling Returns

| | IGIIF | Benchmark | OP/UP * |
|-----|--------|-----------|---------|
| 1M | 10.47% | 12.82% | -2.35% |
| 2M | 10.07% | 12.79% | -2.72% |
| 3M | 9.84% | 12.29% | -2.45% |
| 6M | 9.48% | 11.15% | -1.67% |
| 9M | 9.67% | 10.71% | -1.04% |
| 12M | 12.01% | 10.42% | 1.59% |

* OP = Out Performance and UP = Under Performance

*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

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IGI Stock Fund

Fund Manager's Report - July 2008

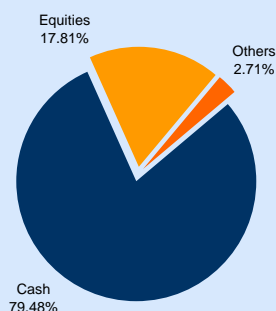
Fund Facts

| | | | |
|-------------------------------|-------------------------|------------------------|-----------------|
| Management Company | IGI Funds Limited | Benchmark | KSE - 100 |
| Fund Type | Open-end | Fund Size (Net Assets) | PKR 134 Million |
| Fund Lifespan | Perpetual | NAV per Unit | PKR 99.6377 |
| Launch Date | July 15, 2008 | Beta | 0.06 |
| Dealing Frequency | Daily | Standard Deviation | 0.29% |
| Capital Gains Tax | As per tax laws | Information Ratio | 10.56 |
| Pricing | Forward Day | Return (YTD) | -0.36% |
| Sales Load | 2.50% | Return (MTD) | -0.36% |
| Asset Class | Equities | Return Since Inception | -0.36% |
| Management Fee | 2.00% | | |
| Holding Period | None | | |
| 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 | | |

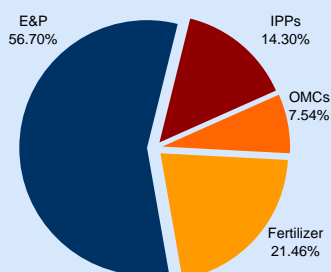
Note: Standard Deviation and Information Ratio have been calculated using daily returns for the period under review

Fund Position as at July 31, 2008

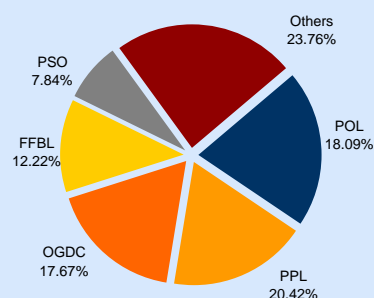
Asset Allocation



Sector Allocation*



Top Five Holding*



* Sector allocation and top five holdings are a percentage of total Equity holding

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 performance is not necessarily indicative of future results. Please read the fund's Offering Document on www.igifunds.com.pk for detailed information prior to investment.

IGI
Funds

www.igifunds.com.pk

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Investment Objective

The investment objective of IGI Stock Fund (IGISF) is to seek long-term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance with applicable laws.

Investment Review - July 2008

Environment

The market remained volatile for the better part of July 2008, oscillating heavily during the weeks and on intraday basis. The causes for the fluctuation revolved around political instability, rampant movement of KIBOR, lack of confidence from international investors, interest rate hike in the new Monetary Policy and rising inflationary pressures.

Inflation for the period July 07– Jun 08 stood at 12%, with the onus falling on higher international oil and food prices that contribute nearly 40% of the nation's expenditure.

The main story for the month remained the Monetary Policy implications. SBP raised discount policy rates by 100 bps, which was expected by the market and absorbed without significant detrimental impact. SBP also curtailed KIBOR growth by reducing it to 13 -13.5% from 14.5%.

Other news requiring attention has been the squeezing of OMC margins. The GoP has fixed OMC margins at USD 100 per bbl levels for Diesel and Motor Spirits. Further the deemed duty for refineries has been reduced to 7.5% from 10%. This will impact the sector negatively in terms of lower inventory values and lower bottom line earning.

Future Outlook

Banking sector and leveraged companies are likely to feel the brunt of the interest rate hike but not by a significant amount. The market is expected to remain in a state of volatility as fundamental components do not provide stability. In addition, regional slowing down is apparent with most Asian economies hiking up interest rates in the face of rising inflationary pressures.

Fund Activity

The Fund continues to practice caution by investing in fundamentally strong shares. Our stringent investment criteria promotes placements in scrips that offer us significant capital gain from upside in prices, along with robust dividend yield.

Fund Performance

The Net Assets of the Fund stood at PKR 133 mn and the NAV per unit was at PKR 99.64 as at 31st July, 2008.

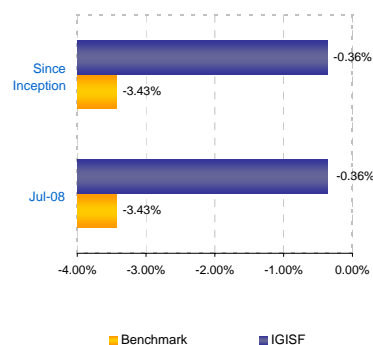
For the period since launch (July 15th), the Fund yielded a return of -0.36% (against the benchmark's decline of -3.43%). The volatile nature of the market and the implications from the GoP dropped the fund's return below par, whilst the benchmark plummeted in excess of 300 bps itself.

Keeping in mind the fickle nature of the market, we aimed to stabilize our portfolio by investing in long term scrips. In addition, our investment remained in shares that would yield a high holding period yield from dividend payouts and/or capital appreciation. This strategy has allowed us to maintain a higher yielding position than the index, whilst allowing us to enjoy an Information Ratio of 10.56.

Fund Strategy

The Fund's strategy will be to continue outperforming the KSE-100 index, while seeking to preserve capital in a volatile market. We will also be concentrating efforts to diversify the portfolio mix in order to further reduce risk in any one sector. The aim of the fund is to transact in fundamentally strong scrips to maintain the quality of the portfolio.

Returns Comparison



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