

IGI Income Fund

Fund Manager's Report - June 2008

Fund Facts

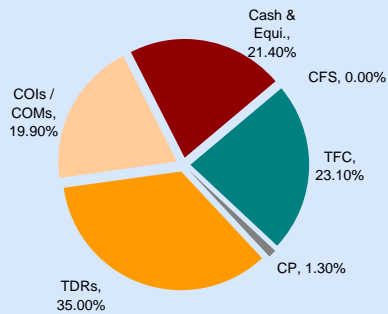
Management Company	IGI Funds Limited	Benchmark	1-month KIBOR
Fund Type	Open-end	Fund Size (Net Assets)	PKR 3,668 Million
Fund Lifespan	Perpetual	NAV per Unit	PKR 102.7326
Launch Date	April 14, 2007	Duration (months)	3.46
Dealing Frequency	Daily	Standard Deviation	0.19%
Capital Gains Tax	As per tax laws	Sharpe Ratio	0.56
Pricing	Forward Day	Information Ratio	(2.48)
Sales Load	Currently 0%	Return (YTD)	9.83%
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.

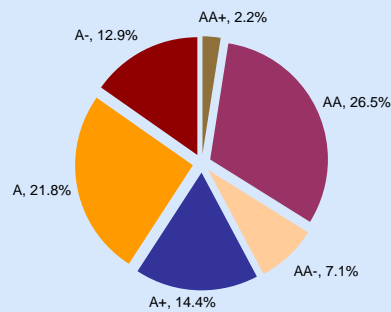
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using monthly returns for FY08 and Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

Fund Position as at June 30, 2008

Asset Allocation



Credit Splits



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

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 - June 2008

Environment

Rates remained firm with liquidity being the theme of the moment. Banks borrowed eagerly to cushion their half-year ending financial reports and increase their deposit size thereby pushing rates higher.

Inflation for the period July 07– May 08 stood at 11.10%, whereas, for the month of May (on YoY basis) it was at 19.30% - the highest level in history.

Overnight repo rates averaged at 10.48% for the period under review. Rates in the interbank market slipped downwards towards month-end as excess liquidity was available within the banking system.

The most notable activity for the month remained the PIB auction held by the State Bank of Pakistan (SBP). Against a target of RKR20 bn, SBP was able to sell paper worth PKR4.26 bn. Yields increased throughout all the maturities in the range of 1.63% - 2.39%. Auction for the 5-yr bond was rejected.

1-Month and 6-Month KIBOR averaged 12.75% and 13.31%, respectively, as deposit pressure remained throughout the month.

Similarly, CFS financing rate averaged at 16.36% against previous month's 14.70%.

Future Outlook

Rates are expected to rise once the SBP spells out its monetary policy for the incoming half-year FY09. Market sentiments predict a higher discount rate, translating into better opportunities for fixed short-term and long-term deposits.

On the equity financing front, rates for CFS MK - II are likely to improve further, once the regular CFS phases out in the month of July.

Fund Activity

The Fund remained highly inclined towards the allocation of cash & cash equivalents fetching good overnight rates and preserving liquidity. Furthermore, maturing TDRs were not rolled over, and hence kept in the liquidity accounts. The fund rolled out its investment in CFS in the latter part of the month as reinvestment rates started to dip.

Fund Performance

The Net Assets of the Fund stood at PkR 3.668 billion and the NAV per unit was at PkR 102.7326 (Ex-Nav PkR 100.0826) as at 30th June, 2008.

For the month of June, the Fund yielded a return of 9.25% p.a. (against the benchmark's average of 12.75%). The underperformance resulted from sudden hike in borrowing rates in the call market which also resulted in borrowing at higher rates in the interbank market.

The weighted average duration of the portfolio slipped to 3.46 months from 4.61, a month earlier. The low duration of the portfolio reflects the Fund's ability to avail the benefit of rising interest rates, going forward.

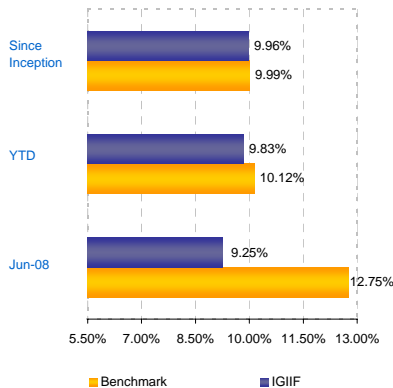
Because of sudden hike in benchmark rates, the Information Ratio for the same period dipped to -2.48. Despite low information ratio, IGIIF continued its tradition of offering positive risk-adjusted return with lower volatility with the positive sharpe ratio of 0.56 and lowest standard deviation of 0.19%.

Fund Strategy

The movement of interest rates was inline with the Fund's view indicated in earlier reviews. The Fund yield is expected to exhibit an increase as funds placed at lower rates are replaced with higher yielding instruments as seen in the current environment.

The Fund will maintain the existing strategy of preferring lower duration, in anticipation of further hike in interest rates until indicators emerge suggesting the topping out of rates.

Returns Comparison



Rolling Returns

	IGIIF	Benchmark	OP/UP *
1M	9.40%	12.75%	-3.35%
2M	9.17%	11.98%	-2.81%
3M	9.34%	11.31%	-1.97%
6M	9.58%	10.79%	-1.21%
9M	9.67%	10.34%	-0.67%
12M	9.83%	10.12%	-0.29%

* OP = Out Performance and UP = Under Performance

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