

IGI Income Fund

Fund Manager's Report - May 2008

Fund Facts

Management Company	IGI Funds Limited
Fund Type	Open-end
Fund Lifespan	Perpetual
Launch Date	April 14, 2007
Dealing Frequency	Daily
Capital Gains Tax	As per tax laws
Pricing	Forward Day
Sales Load	Currently 0%
Asset Class	Fixed Income
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

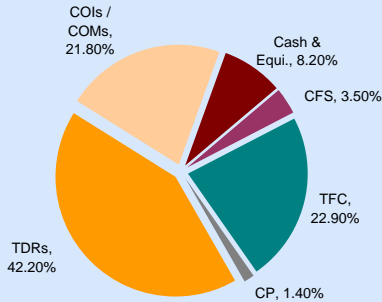
Benchmark	1-month KIBOR
Fund Size (Net Assets)	PKR 3,664 Million
NAV per Unit	PKR 101.9633
Duration (months)	4.61
Standard Deviation	0.19%
Sharpe Ratio	0.34
Information Ratio	(1.07)
Return (30-May-08)	9.40%
Expense Ratio *	1.57%

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

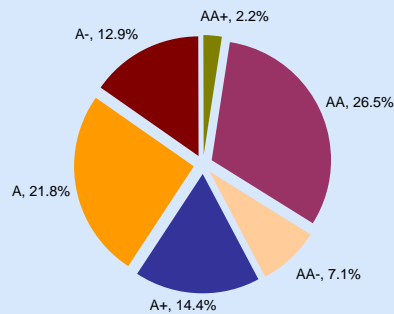
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using monthly returns for FY08 and Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

Fund Position as at May 30, 2008

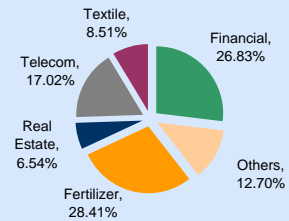
Asset Allocation



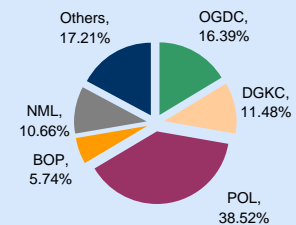
Credit Splits



TFC Portfolio



CFS & RBFS 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 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 - May 2008

Environment

State Bank of Pakistan hiked the discount rate to 12.0% (up by 1.5%) and slapped higher liquidity requirements on banks by 100bps each for CRR and SLR at 9% and 19%, respectively. These measures were taken to control inflation and reiterate the tight monetary stance.

Inflation for the period Jul 07– Apr 08 stood at 10.30%, whereas, for the month of April (on YoY basis) it was at 19.30% - the highest level in the history.

Overnight repo rates averaged at 9.28% for the period under review. Last moment jump in key interest rate had no major effect on the overnight market.

State Bank was able to sell T-Bills worth Rs.35bn against a maturity of Rs.52bn. The cut-off for various maturities hiked by 10 to 20 bps.

1-Month and 6-Month KIBOR averaged 11.17% and 11.53%, respectively resulting in high term deposit rates for longer dates.

Similarly, CFS financing rate averaged 14.17% against last month's 11.73%.

Future Outlook

Rates are expected to stay firm as we approach the June-end date with tight liquidity conditions prevalent.

Rates for CFS are also likely to remain on higher levels as speculators are eager to take leveraged positions inspite of shortage of financiers.

Fund Activity

The Fund paid off some redemptions during the month and, therefore, the cash and cash equivalents portion reduced. Furthermore, TDR portfolio reduced marginally as the strategy was to not rollover immediately and wait for the month-end crossing rates.

Fund Performance

The Net Assets of the Fund stood at PkR 3.664 billion and the NAV per unit was at PkR 101.9633 as at 30th May 2008.

For the month of May, the Fund yielded a return of 9.40% p.a. (against benchmark 1Month KIBOR at an average of 11.17%). The underperformance resulted from sudden hike in interbank borrowing rates. This hike was the result of SBP's measures to curb inflation mentioned earlier in this report.

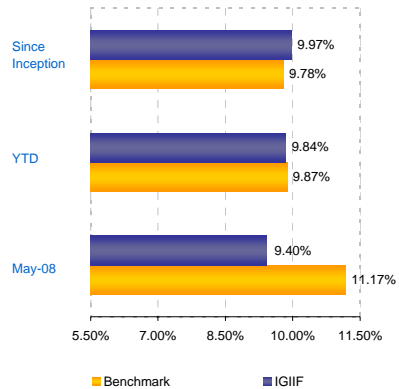
The weighted average duration of the portfolio is 4.61 months. The YTD Standard Deviation, based on monthly returns, is 0.19% - the lowest in the industry. The Sharpe Ratio and the Information Ratio for the same period were 0.34 and 1.07, respectively.

Our aim to provide positive risk-adjusted returns with lower volatility is supported by our position in terms of risk measures - Sharpe Ratio and Standard Deviation.

Fund Strategy

The fund will concentrate on shorter term instruments and placements until clues emerge suggesting the topping out of rates.

Returns Comparison



Rolling Returns

	IGIIF	Benchmark	OP/UP *
1M	9.40%	11.17%	-1.77%
2M	9.50%	10.58%	-1.08%
3M	9.53%	10.39%	-0.86%
6M	9.69%	10.13%	-0.44%
9M	9.72%	9.97%	-0.25%
12M	9.89%	9.79%	0.10%

* OP = Out Performance and UP = Under Performance

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