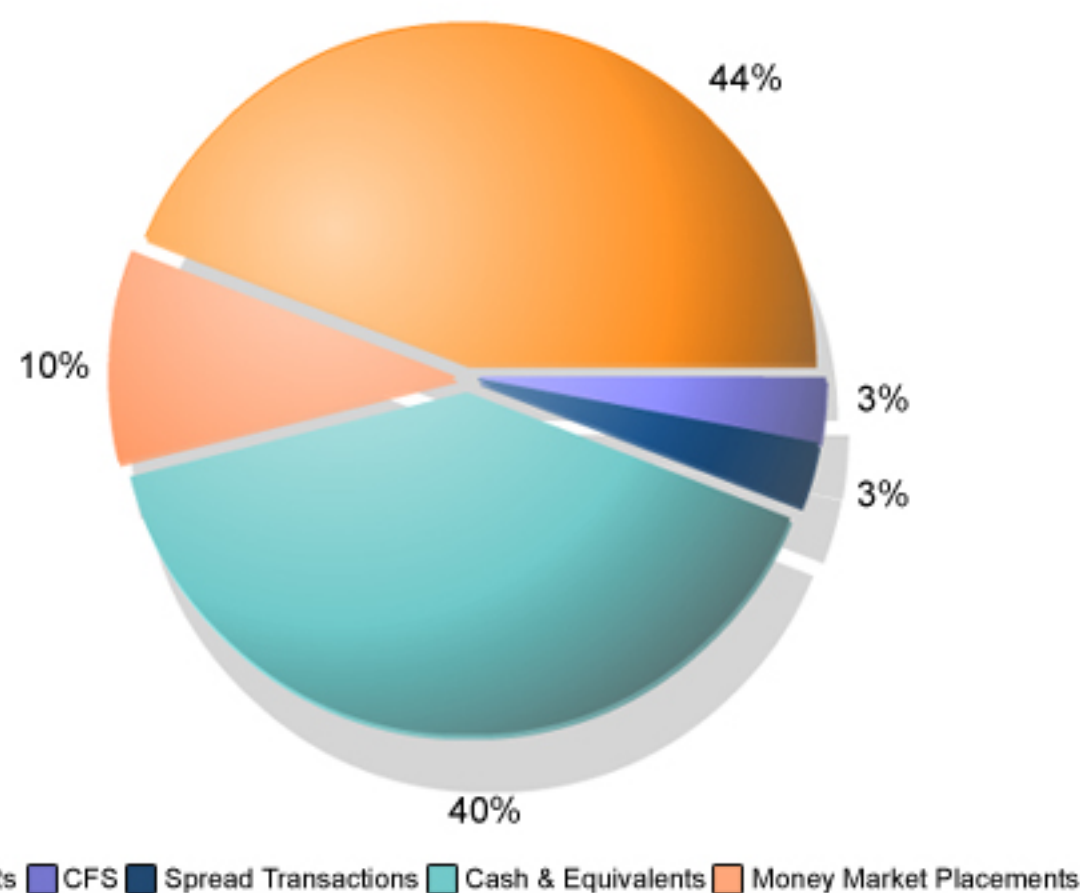
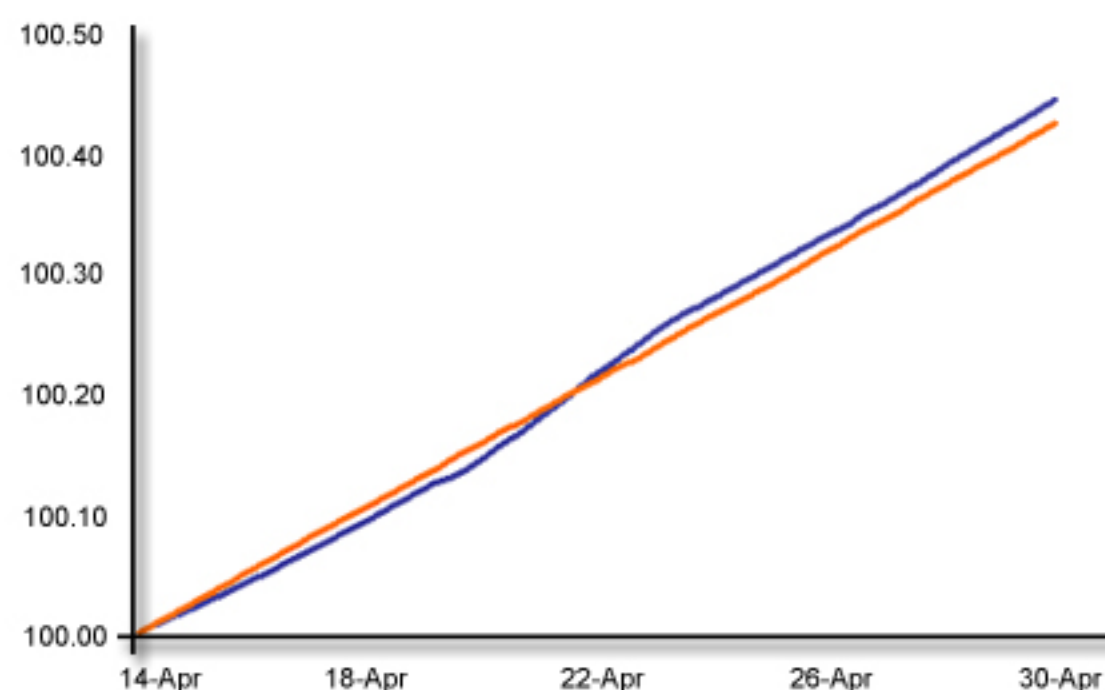


April, 2007



Asset Allocation - April, 2007



IGIF Vs. Benchmark

# IGI Income Fund

## Fund Manager's Report

### Market Review

During the month under review, money market remained volatile and the Repo rates in the shorter tenors left an inverse bell curve impression. Overnight rates (benchmark for liquidity in the banking system) dipped as low as 3.00% (overnight borrowing) and went as high as 9.50% (SBP's discount rate). Market also spiked with higher borrowing rates in the fortnightly-end of the month (with a few exceptions during liquid trading days). The State Bank of Pakistan influenced tight monetary stance by absorbing excess liquidity from the banking system through a series of Open Market Operations (OMOs) and by selling Market Treasury Bills (MTBs) and Pakistan Investment Bonds (PIBs). The banking system witnessed OMOs of PKR 68 billion for the month under review. There was an outflow of PKR 108 billion through the sale of MTBs, against maturity of PKR 28 billion, and PKR 15 billion through the sale of PIBs.

KIBOR, the benchmark for various financial instruments, showed a downward bias and as a consequence term deposit rates have edged down. This has been the result of excess liquidity in the system generated mainly by the growth in Net Foreign Assets (NFA) and fixed income funds and a decline in credit off-take. Term Finance Certificates (TFCs) have started to re-gain popularity in the secondary market due to the growing demand from the Asset Management Companies. With an increasing number of listed and unlisted TFC issues in the pipeline, we see a positive sign for the development of the bond market in Pakistan.

The Stock market witnessed bullish sentiments and the market closed 9.74% up on month on month basis. Despite the rising market and increasing volumes, CFS rates were unable to strengthen and remained confined in the range of 11.60% to 12.00% throughout the month. Excess liquidity generated by income funds is the main reason behind the subdued CFS rates.

### Performance of IGI Income Fund

IPO of IGI Income Fund closed on April 14, 2007 and up to the period ended April 30, 2007 it has provided an annualized return of 9.86% with Assets under Management of PKR 1.248 billion. During that period, the average Ask rate for 1-month KIBOR (Benchmark) was 9.38%. As CFS rates were on the decline, we focused on TDRs and money market placements at better rates. Commitments have also been made for participation in upcoming TFCs of selected issuers. Our strategy has been to reduce volatility in NAV so that our investors are provided competitive, stable and positive returns each day.

### Future Outlook

Rates in the short term are expected to remain on the lower side due to excess liquidity within the system. The second half of 2007 may see an increase in credit off-take, providing some strength to the lending rates. On the economic front, a burgeoning trade deficit is of concern. However, foreign investments and remittances are expected to grow at a steady pace keeping the exchange rate relatively stable.

Key Interest Rates	
KIBOR (1M, 3M, 6M) April 30, 2007	(9.44%, 9.89%, 10.23%)
T-Bill Cut-Off (3M, 6M, 12M) Last Auction	(8.6869%, 8.9017%, 9.010%)
REPO (O/N, 1M, 3M) April 30, 2007	(9.5%, 8.95%, 8.88%)
Discount Rate	9.50%
CPI July'06 to March'07	8.0%

### Contact Information

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**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.

### Investment Objective

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

### Fund Details

Fund manager	IGI Funds Limited
Fund type	Open-end
Fund lifespan	Perpetual
Dealing frequency	Daily
Capital Gains tax	Exempt*
Pricing	Forward day (NAV based)
Sales Load	Currently 0%
Asset class	Fixed Income
Management fee	1.25% <sup>†</sup>
Minimum initial investment	Rs. 5,000/-
Minimum subsequent investment	Rs. 1,000/-
Issue price	Rs. 100/- per Unit
Auditor	KPMG, Taseer Hadi & Co.
NAV <sub>30 April, 2007</sub>	Rs. 100.43
NAV <sub>as of 11 May, 2007</sub>	Rs. 100.73
Fund Size	Rs. 1.25 Billion <sup>‡</sup>

\* Till June 30, 2008  
<sup>†</sup> Of average annual net assets  
<sup>‡</sup> As of 30 April, 2007

**IGI**  
Funds