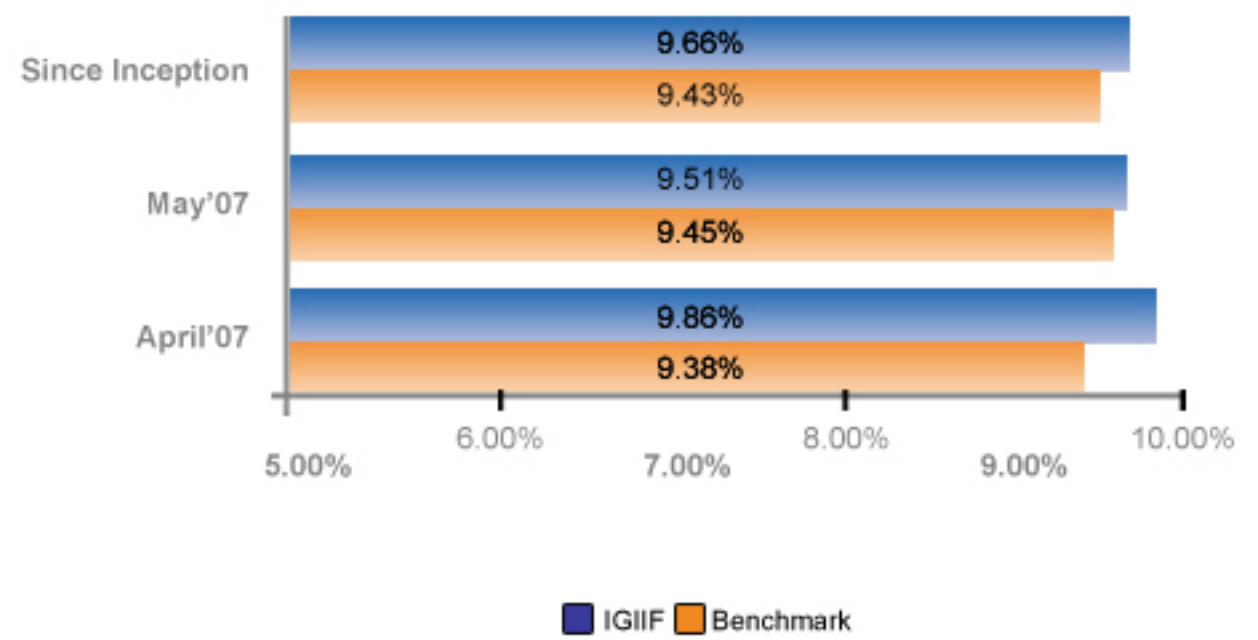


Asset Allocation



IGIF Vs. Benchmark

IGI Income Fund

Fund Manager's Report

Market Review

In the shorter tenures money market was largely influenced by borrowers' "crowding-in" and battling to grab funds. For most part of the month, overnight Repo rates remained close to the discount level and banks frequently had to avail the State Bank of Pakistan's (SBP) discount facility in order to meet reserve requirements. SBP conducted two T-Bill auctions during the month for all the designated bills and accepted a total amount of PKR 29.20 billion against a maturity of PKR 13.30 billion. The net effect of the T-Bill auctions was an outflow of PKR 15.90 billion from the money market to the SBP.

A key benchmark of the local debt market, the 6-month KIBOR continued its downward slide as a result of the excess liquidity present in the banking system. Data released by SBP reveals that during the first 4 months of CY07, total deposits of scheduled banks increased by 5.9% while advances declined by 1.2%, suggesting that the overall ADR of scheduled banks has declined from 76% to 71% during the same period.

Assets under management of fixed income funds grew by approximately 170% during the first 10 months of FY07. This spectacular growth has resulted in increased demand for debt instruments by AMC's, especially for TFCs and commercial papers, and drawn a positive response from the corporate sector. Corporations have taken advantage of the increase in demand and issued debt at rates comparative to bank borrowings.

The stock market exhibited volatility by moving in both directions during the month of May. However, by the end of the month investor sentiment turned positive and the KSE-100 Index gained 592 points. The bullish sentiment can mainly be attributed to positive expectations regarding the Federal Budget 2007-08, with cements and commercial banks leading the charge. CFS rates remained range bound despite the rally and positive investor sentiment.

Performance of IGI Income Fund

As on May 31, 2007, the IGI Income Fund (IGIIF) grew to PKR 1,577 million and the NAV per unit was PKR 101.24. For the month of May, the annualized return of the IGI Income Fund was 9.51%, while the fund's benchmark, the average Ask rate for the 1 month KIBOR was 9.45%. In an environment of declining CFS rates and volatile stock market, IGIIF benefited from TDR and money market placements at competitive rates, whilst reducing portfolio exposure to spread transactions. The decision to reduce portfolio exposure to spread transactions was taken in light of the rapid fluctuations of the stock market and the Investment Committee's inclination to limit volatility in the NAV, required to facilitate cash management needs of our investors by providing positive returns each day. IGIIF has also started building its TFC portfolio by participating in new issues and we expect a positive impact on the NAV in the coming months as a result.

Future Outlook

Growth in money supply (by way of increased inward remittances and NSS maturities) and a decline in credit off-take have resulted in excess liquidity within the banking system. As a result, KIBOR and TDR rates continue to decline and we feel that these factors will continue to pull key interest rates downward.

On the flip-side, the Government has already announced its intentions for no new taxes in the Federal Budget 2007-08. We can expect additional Government borrowing in the next fiscal year to finance the fiscal deficit - pulling rates upward.

Another factor affecting interest rates could be the success of the privatization program by the Government.

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	Currently Exempt
Pricing	Forward day (NAV based)
Sales Load	Currently 0%
Asset Class	Fixed Income
Management Fee	1.25% [†]
Minimum Initial Investment	Rs. 5,000/-
Minimum Subsequent Investment	Rs. 1,000/-
Issue Price	Rs. 100/- per Unit
Auditor	KPMG, Taseer Hadi & Co.
Benchmark	1 Month KIBOR
NAV ^{31 May, 2007}	Rs. 101.24
NAV ^{as of 7 June, 2007}	Rs. 101.43
Fund Size	Rs. 1.58 Billion [†]

[†] Of average annual net assets
[†] As of 31 May, 2007

IGI

Funds