

IGI Income Fund

Fund Manager's Report - October 2008

Fund Facts

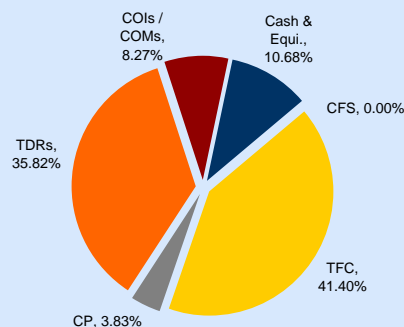
Management Company	IGI Funds Limited	Benchmark	1-month KIBOR
Fund Type	Open-end	Fund Size (Net Assets)	PKR 1,742 Million
Fund Lifespan	Perpetual	NAV per Unit	PKR 104.0793
Launch Date	April 14, 2007	Duration (months)	3.53
Dealing Frequency	Daily	Standard Deviation	1.36%
Capital Gains Tax	As per tax laws	Sharpe Ratio	0.15
Pricing	Forward Day	Information Ratio	(0.74)
Sales Load	Currently 0%	Return	14.20%
Asset Class	Fixed Income	Expense Ratio *	1.69%
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.

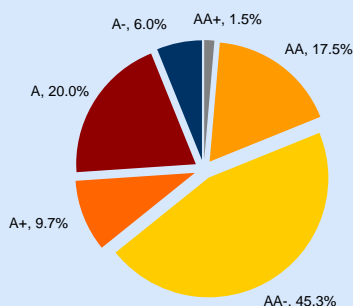
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using monthly returns for FY08 and Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

Fund Position as at October 31, 2008

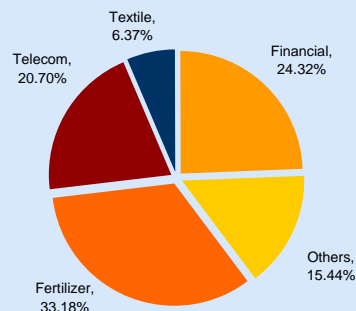
Asset Allocation



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 - October 2008

Environment

During October, the country faced a liquidity crisis resulting from the high financing requirement of the trade and fiscal deficit, coupled with a negative global scenario. The recent liquidity squeeze in the money system led the SBP to revise CRR rates downwards by 200bps in the month under review. Furthermore, the SBP cut a further 100bps in CRR on Nov -1, rather than enforcing it on Nov-15. The liquidity crisis that has infected global markets finally hit the local market with a vengeance.

Inflation for the period July 08 - Sep 08 stood at 24.50%, with the month of September (on YoY basis) registering at 23.90%. The marginal decline in inflation reflected a sharp decline in global commodity prices.

1-Month and 6-Month KIBOR averaged 14.24% and 14.77%, respectively with rates remaining on the higher side for the majority of the month under review. High-end borrowing in the call market (in absence of security as collateral) forced banks to borrow to meet their daily requirements.

Future Outlook

Even after the liquidity injection in the banking system via the cut in CRR, rates remained high. Borrowing rates are expected to be on the higher side, most likely until the close of the calendar year. Due to the outflow in net foreign assets and reluctance on the part of banks to lend to smaller parties, more action on the part of SBP is required to ease the liquidity squeeze.

Rates in CFS Mark - II are likely to remain higher in absence of removal of the KSE-100 Index's floor restriction. However, the risk on investment remains high in anticipation of default risk. Therefore the Fund continues to abstain from the aforementioned asset class.

Fund Activity

Maintaining high liquidity in cash & cash equivalents remained the top priority in a cash starved market condition. This enabled the fund to be well positioned amongst peers to cater for the redemption payments. However, the Fund's returns continued to grow, as low yielding assets matured in the course of the month. A few short-term maturities were also converted to ready cash, hence, aiding in boosting the Fund's liquidity.

The activity in CFS MK-II continued to be ruled out, in the absence of any clear equity market direction. Volumes in the ready market dropped to record low levels and the removal of the floor restriction continued to be deferred. This has placed a higher probability of default risk on the concerned asset class.

Fund Performance

The Net Assets of the Fund stood at Pkr 1.742 billion and the NAV per unit stood at PKR 104.0793 for the period under review.

For the month of September, the Fund yielded a return of 14.20%* p.a. (against the benchmark's average of 14.24%).

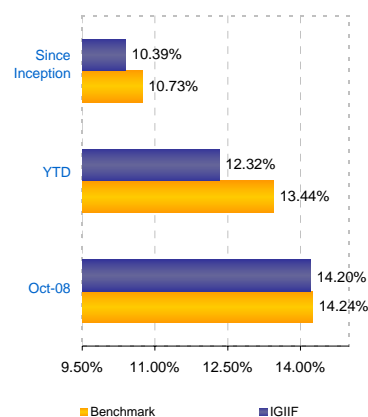
The weighted average duration of the portfolio stood at 3.53 months from 3.85, a month earlier.

IGIIF continued to offer low volatility of returns, reflected by one of the lowest standard deviation amongst peer funds at 1.36%.

Fund Strategy & Outlook

The fund expects high yields ahead as borrowing rates improved on the higher side and few coupon re-sets of corporate bonds. Therefore, the fund will remain in low duration liquid assets in the foreseeable future. As the yield curve is inverted due to the liquidity squeeze, the fund sees better opportunities on the short end.

Returns Comparison



Rolling Returns

	IGIIF	Benchmark	OP/UP *
1M	14.20%	14.24%	-0.04%
2M	13.28%	14.02%	-0.74%
3M	12.95%	13.65%	-0.70%
6M	11.39%	12.97%	-1.58%
9M	10.88%	11.98%	-1.10%
12M	10.64%	11.45%	-0.81%

* 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 - October 2008

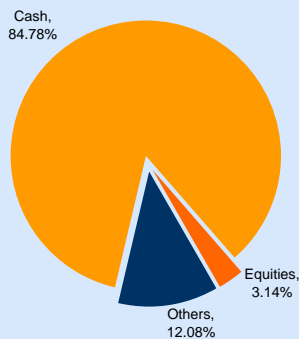
Fund Facts

Management Company	IGI Funds Limited	Benchmark	KSE - 100
Fund Type	Open-end	Fund Size (Net Assets)	PKR130Mn
Fund Lifespan	Perpetual	NAV per Unit	PKR 96.49/-
Launch Date	July 15, 2008	Beta	0.035
Dealing Frequency	Daily	Standard Deviation	1.32
Capital Gains Tax	As per tax laws	Information Ratio	0.11
Pricing	Forward Day	Return (MTD)	-0.67%
Sales Load	2.50%	Return Since Inception	-3.49%
Asset Class	Equities		
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		

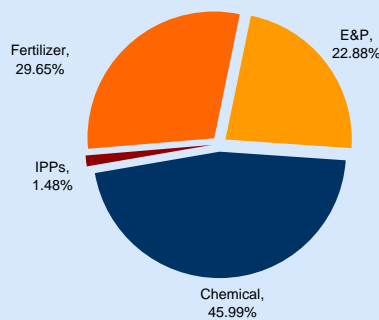
Note: Standard Deviation and Information Ratio have been calculated using daily returns

Fund Position as at October 31, 2008

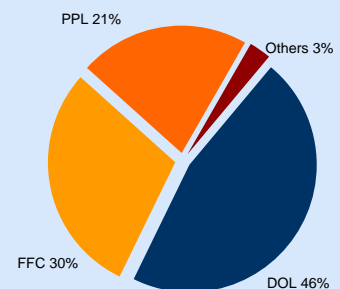
Asset Allocation



Sector Allocation*



Top Five Holding*



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

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IGI
Funds

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 - October 2008

Environment

The market remained stagnant with the market floor intact at a level of 9,144. Disappointing volumes distracted any attention in the ready/future market. The main activity continued in the C2C market where trading positions took place at 15-20% discount from the prevalent market rates. In addition, foreign investors have been net buyers during the month to the tune of USD 0.6Mn.

On the economic front, FOREX reserves continue to deplete falling below the USD 7Bn mark. CPI saw a reduction to 24.3% from 26%, based on lower commodity prices. This might be shortlived as OPEC is looking to slash oil output in the coming quarter to counter the drastic price cut.

The main story in the news has been that of an IMF aid that will pull the economy out of the doldrums. The loan, however, comes with heavy implications that will strangle the market. The watchdog's onus falls on the removal of subsidies to reduce fiscal expenditure and raising discount rate to generate inflows into the banking system.

Future Outlook

The global equity markets have fallen by an average of 28%, whereas the KSE-100 has declined only 3% since the enforcement of the floor. Therefore, we expect a significant downside once the floor is removed. We view potential investment opportunities in shares that offer regular dividend streams despite the deteriorating economic conditions.

Going forward, the dividend yield of such stocks will surpass comparative returns from FI investments, as market corrects itself in line with global indices.

Fund Activity

With a view to protect the unit holder's capital, which remains at stake in this falling market, it was decided that equity exposure be reduced.

The fund continued to shed its holding, bringing the exposure in equities down to 3.15% from 9.5%. This was achieved through discounted transactions in the C2C market. With no potential in the present equity market, the fund has turned to fixed income investments, which provide a significant return in the short term.

Fund Performance

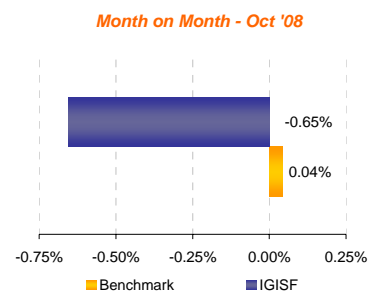
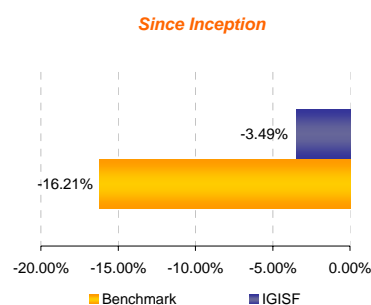
Since its inception, the Fund registered a downside of only 3.49% as opposed to a significant fall of 16.21% in the benchmark.

On a MoM basis, the fund declined by 0.65% against the benchmark's marginal fall of 0.04%. The difference of 0.61% was due to the significant shedding of equity investments, combined with low to no change in the KSE index.

Fund Strategy

The fund will wait for the floor removal and the new lower bracket when accumulation in high dividend yielding stocks will take place. In the meantime, short term, relatively low risk investments will be the strategy going forward. In addition, the cash and fixed income investments will provide us with a healthy return.

Returns Comparison



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