

IGI Income Fund

Fund Manager's Report - September 2008

Fund Facts

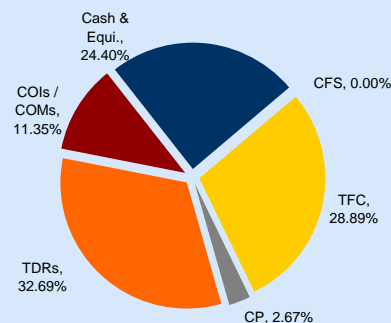
Management Company	IGI Funds Limited	Benchmark	1-month KIBOR
Fund Type	Open-end	Fund Size (Net Assets)	PKR 2,680 Million
Fund Lifespan	Perpetual	NAV per Unit	PKR 102.9123
Launch Date	April 14, 2007	Duration (months)	3.85
Dealing Frequency	Daily	Standard Deviation	1.07%
Capital Gains Tax	As per tax laws	Sharpe Ratio	(0.49)
Pricing	Forward Day	Information Ratio	(1.37)
Sales Load	Currently 0%	Return	12.40%
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.

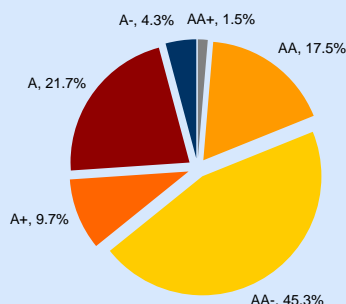
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using monthly returns for FY08 and Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

Fund Position as at September 30, 2008

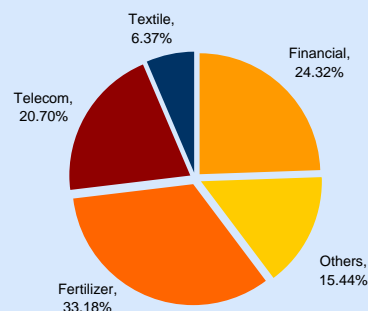
Asset Allocation



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 - September 2008

Environment

Revival of the economy is the top most agenda for Pakistan, requiring measures on a fast track basis. Rising fiscal and current account deficit is unlikely to ease in the near term. Therefore, a relief from the government (on the political front) as well as from the central bank is expected to steer the course towards a brighter prospect.

Inflation for the period June 08 - Aug 08 stood at 24.80%, with the month of August inflation (on YoY basis) came in at 25.30% - the highest level in decades.

1-Month and 6-Month KIBOR averaged 13.78% and 13.99%, respectively with rates remaining on the higher side for the majority of the fortnight. The mounting pressure was passed on mainly via major bank borrowing requirements for the quarter-end.

Future Outlook

The market is expected to be pressed with high-end borrowing rates, unless the State Bank injects liquidity into the banking system. Deposit rates are likely to be higher in the mid-tier banks. However, the impact of the cut in CRR (first cut on Oct. 11 and second cut on Nov. 15) by a 100bps and subsequently second cut by the same 100bps are likely to ease off the interest rate pressure throughout the system.

Rates obtained via indirect financing in the stock market, CFS Mark - II, is likely to be higher in absence of normalization of the Karachi Stock Exchange. Financiers remain relatively more exposed to higher default risk on the other end.

Fund Activity

The fund continued to maintain high liquidity in cash & cash equivalents for the month under review. Placements for short-term cash equivalents yielded a better option to rollover accounts with dealable banks, as the interbank system felt an acute shortage of funds. Maturities for the month of September were rolled over at higher attractive rates.

CFS MK-II rates improved tremendously towards the month-end. IGIIF, however, continued to avoid any deployments within this asset class due to expectations of higher default risk. The stock market, throughout the month, registered extremely low volumes. Hence, with the index floor restriction and lack of selling opportunities, the CFS-based buyers were compelled to refinance their existing holdings.

Fund Performance

The Net Assets of the Fund stood at PkR 2.680 billion and the NAV per unit stood at PKR 102.9123 for the period under review.

For the month of September, the Fund yielded a return of 12.40%* p.a. (against the benchmark's average of 13.75%).

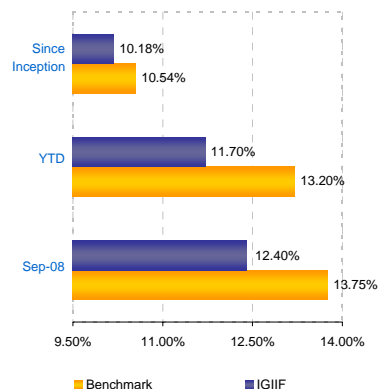
The weighted average duration of the portfolio stood at 3.85 months from 2.64, a month earlier.

IGIIF continued to offer low volatility of returns, reflected by one of the lowest standard deviation amongst peer funds at 1.07%.

Fund Strategy & Outlook

The fund expects higher yields ahead as some of the corporate bonds are re-set (coupons) and maturities of long-term placements are likely to be placed at relatively higher yields.

Returns Comparison



Rolling Returns

	IGIIF	Benchmark	OP/UP *
1M	12.40%	13.75%	-1.35%
2M	12.33%	13.37%	-1.04%
3M	11.70%	13.20%	-1.50%
6M	10.68%	12.25%	-1.57%
9M	10.44%	11.49%	-1.05%
12M	10.26%	11.06%	-0.80%

* 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

7th Floor, Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi-74200, Pakistan

UAN: (+92.21) 111.FOR.IGI (111.367.444) Fax: (+92.21) 227.2415

E-mail: funds.services@igi.com.pk

IGI Stock Fund

Fund Manager's Report - September 2008

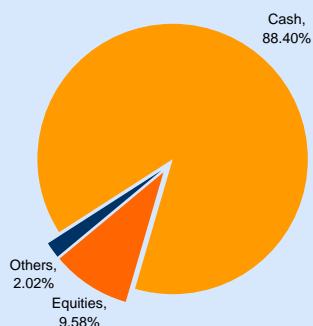
Fund Facts

Management Company	IGI Funds Limited	Benchmark	KSE - 100
Fund Type	Open-end	Fund Size (Net Assets)	PKR 130 Million
Fund Lifespan	Perpetual	NAV per Unit	97.15
Launch Date	July 15, 2008	Beta	0.094
Dealing Frequency	Daily	Standard Deviation	1.53%
Capital Gains Tax	As per tax laws	Information Ratio	0.14
Pricing	Forward Day	Return (MTD)	-0.66%
Sales Load	2.50%	Return Since Inception	-2.85%
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		

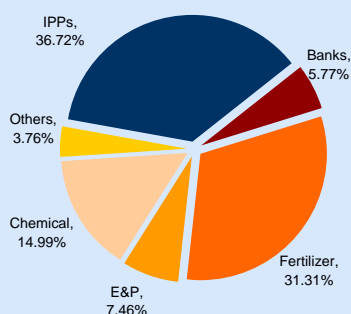
Note: Standard Deviation and Information Ratio have been calculated using daily returns

Fund Position as at September 30, 2008

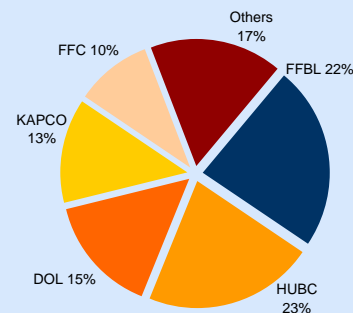
Asset Allocation



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 - September 2008

Environment

The market has remained in the doldrums since the floor setting that took place last month, registering a drop in volumes to an eleven year low. At present, there are no firm dates for removal of the floor. The threat of margin calls, broker defaults, liquidation of various financial institutions and expected depreciation of the index further support the fact that the floor will remain until steps to bolster the market are finalized.

In addition, economic indicators continue to deteriorate. Forex reserves have reduced to USD 8.91Bn, whilst CPI has increased to 24.8% y/y. Current account deficit has widened to USD 2.5Bn and Trade deficit has reached USD 1.84Bn in 2MFY09. The only positive news was a 23.5% YoY increase in Foreign Remittances to USD 1.2 Bn, during the period.

In addition, Moody's knocking the Sovereign Bond rating from stable to negative was also another blow. On the international front, the sinking of key financial institutions due to the US subprime crisis has shaken investor confidence the world over.

Future Outlook

The Ready/Future market is expected to remain uneventful for the upcoming month, with trades only taking place at discounted rates in Off Market transactions (C2C). Rates in CFS MK II have risen to ~20-35%, making investment in this area very lucrative. However, the fear of defaults from clients, owing to margin calls in the expected bearish market, is a deterrent for many investors. Therefore, punters may refrain from being heavy handed in this market.

Fund Activity

The fund has adopted a strategy, whereby it has reduced its exposure to 9.5% from 33.49% at the end of previous month. The overall equity exposure was reshuffled as we viewed a more buyer's market in the coming month. The fund saw shedding in volume driven shares from various sectors.

Fund Performance

Since its inception, the Fund outperformed its benchmark by registering a downside of only 2.85% as opposed to a significant fall of 16.25% in the latter. On a MoM basis, the fund declined by 0.66% against the benchmark's marginal fall of 0.32%.

The difference of 0.34% was due to the significant shedding of equity investments.

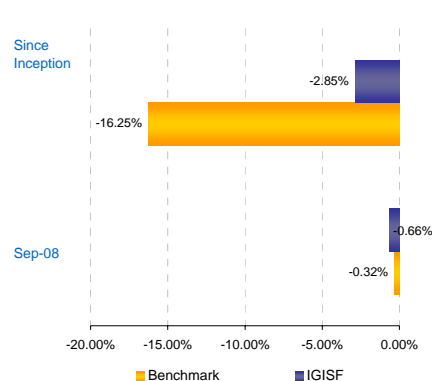
Despite the precarious market conditions, the Fund enjoys a beta of 0.09 and an Information Ratio of 7.6x.

Fund Strategy

The fund foresees that the removal of floor will create a buyer's market. It will look to invest in fundamentally strong scrips once the market based bottom has been achieved. In the mean time, arbitrage / RBFS will be the norm until such a market arises.

In addition, attractive returns on our cash and cash equivalents will also enhance the return.

Returns Comparison



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