

IGI INCOME FUND

Fund Manager's Report



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

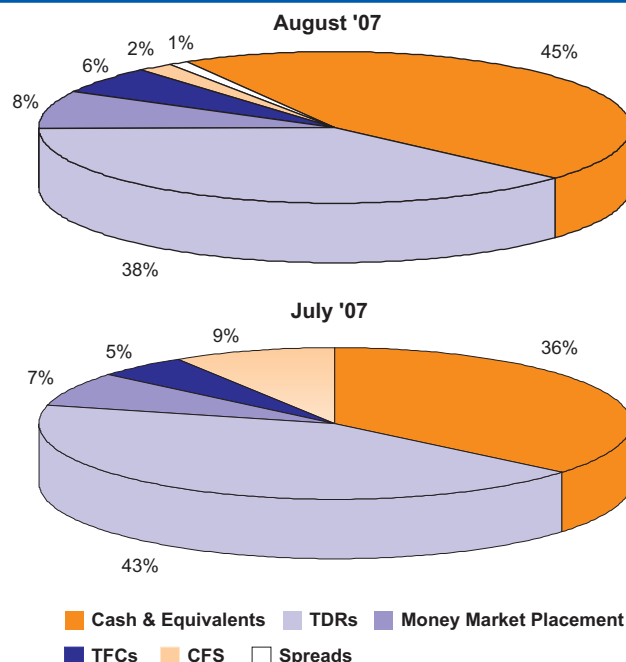
The investment objective of IGI Income Fund (IGIIF) is to minimize risk, construct a liquid portfolio of fixed income instruments and provide competitive returns to the Unit Holders. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards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

Fund Details

Fund Manager	IGI Funds Limited
Fund (Open/Closed)	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%
Holding Period	None
Minimum Initial Investment	Rs. 5,000/-
Minimum Subsequent Investment	Rs. 1,000/-
Issue Price	NAV (no load)
Trustee	CDC Pakistan Limited
Auditor	KPMG, Taseer Hadi & Co.

* Till June 30, 2008

Portfolio Allocation



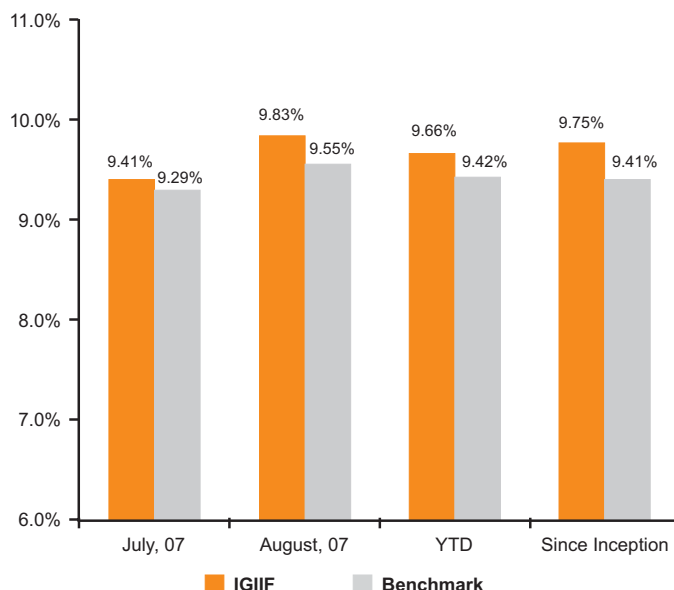
Fund Performance

IGI Income Fund (IGIIF) grew to Rs. 2.1 billion and the NAV per unit was PKR 101.74 as at August 31, 2007. The annualized return for IGI Income Fund for August 2007 was 9.83% while the Fund's benchmark, the average Ask Rate for the 1-month KIBOR was 9.55%.

During August the portfolio was rebalanced and exposure to lower yielding investments like CFS was switched to high yielding TFCs, money market placements and bank deposits. The stock market is expected to consolidate at around 12,000 level with relatively lower volatility and, therefore, IGIIF took 1% exposure in spread transactions.

Going forward IGIIF will focus on high yielding instruments and placements with low interest rate risk and volatility.

Performance Comparison



Market Review

Fixed Income Market

In continuation of its Monetary Policy, the State Bank of Pakistan (SBP) was seen active in the inter-bank market conducting frequent Open Market Operations (OMOs) to drain out excess liquidity from the system. Theoretically, this action should have kept interest rates firm, but the continuing increase in the banking Deposits and slower growth in Advances (as evident from the decreasing Advance-to-Deposit Ratio (ADR) of Commercial Banks to 68.5%) kept overnight rates at around 8.5% (as against the Discount Rate of 10.0%). This happened despite the SBP mopping close to Rs.189 billion during August.

The SBP also conducted two Treasury Bill auctions during August accepting bids worth Rs. 39 billion against its pre-bid target of Rs. 55 billion and maturities of Rs.13.3 billion. The SBP also conducted a PIB auction and accepted bids worth Rs. 59 billion against a target of Rs.15 billion in all five tenors. During the process, the SBP raised the cut-off yields in all tenors by 8.5 to 37 bps.

Post Monetary Policy announcement, KIBOR had jumped in all tenures but incessant liquidity in the system edged rates down and the 6-month KIBOR averaged around 10.13% during August. Banks seem keen to raise deposits in longer tenures (one year and over) at rates of between 10.25% to 10.90% p.a. since these deposits do not attract CRR requirements. Rates for shorter tenures are lower and usually do not even meet the inflationary levels in the economy.

Hectic activity was seen in the TFC market, especially in the listed Term Finance Certificates, during the first half of the month. However, in the second half of the month, the market was dull and activity was limited to a couple of privately placed TFCs. Listed TFCs are trading in the range of 10.25%-10.50% while privately placed TFCs offer better yields.

Stock Market

During August, the Karachi Stock Exchange experienced a major correction and the KSE-100 index was down by 1,500 points (11%). A major reason for this decline was the political uncertainty that compelled local as well as foreign investors to book profits. SCRA showed a decline of US\$ 91 million for the month of August. At the end of month, CFS investment stood at Rs. 42 billion, its lowest level in seven months, and gross CFS rate was down to 10.55%.

Future Outlook

Banks will continue to raise funds in long-term deposits (maturities in excess of one year) as the SBP has brought CRR requirement on term deposits of one year and above to zero. With bank branches going aggressively for longer-term deposits to meet their full year targets at lower weighted average rates, we may not see another December of high deposit rates as banks are already in very liquid position and credit off-take is not picking up.

CFS rates and ready/future spreads are expected to remain subdued as the volumes in the stock market have dried up indicating low investor confidence in the market. This trend will continue unless a new upward rally builds up in the market.

As the assets under management of mutual funds continue to grow at existing pace, we expect the fund managers to focus more on Term Finance Certificates, money market placements and TDRs unless the rates on CFS pick up.

IGI

Funds

IGI Funds Limited

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

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

Email: contact.center@igi.com.pk

www.igifunds.com.pk 0800-2-34-34