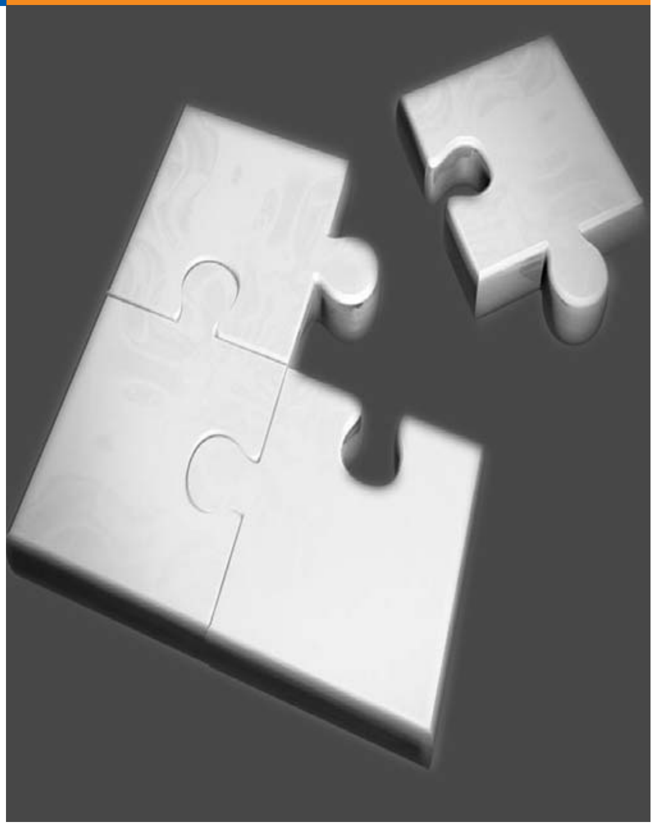
Monthly Report, July 2007

IGI INCOME FUND

Fund Manager's Report



Highlights

- Market Review
- Performance of IGIIF
- Future Outlook
- Portfolio Allocation
- Performance Comparison

Contact Information

IGI Funds Limited 4th Floor, Shaheen Complex,
Dr. Ziauddin Ahmed Road, Karachi 74200, Pakistan.
www.igifunds.com.pk

IGI Funds

[Formerly First International Capital Management Limited]

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	Rs. 1,000/-
Issue Price	NAV (no load)
Trustee	CDC Pakistan Limited
Auditor	KPMG, Taseer Hadi & Co.

**Till June 30, 2008*

Market Review

One of the more important events during July 2007 was the announcement of the Monetary Policy Statement for first half of FY08 by the State Bank of Pakistan (SBP) in which SBP further tightened its monetary stance by increasing the discount rate by 50 bps to 10.00%. SBP expects many challenges during FY08 like monetary stress generated from capital inflows, sizeable demand pressures emanating from fiscal and external imbalances, distortions from SBP refinancing schemes as well as the impact of supply side factors like oil prices, food inflation, etc. In order to address these challenges and to allow greater scope for private sector growth, it has introduced some strategic changes in this Monetary Policy.

During July 2007, 6-month KIBOR averaged 9.97%, down from the previous month's 10.03%. After the announcement of the Monetary Policy an increase was witnessed in KIBOR in all tenors. This bodes well for the commercial banks as their advances are usually linked with KIBOR. The money market saw Repo rates for overnight averaging 8.20% during July. However, a cyclical movement was witnessed in Repo borrowing as rates started low, gained momentum during the mid of the month, but declined towards the end of the month.

SBP conducted two T-Bill auctions for the month of July 2007, accepting bids worth PKR 114 billion against its target of PKR 75 billion. Bidders' were keen on the longer tenure (12 month bill) in the absence of PIBs. SBP kept the cut-offs unchanged.

During July, the KSE-100 index achieved another milestone when it breached the 14000 level. Market continued its volatile trend and touched a high of 14202 and low of 13194 points. Among positive triggers were the approval of Petroleum Policy 2007 and progress on the GDR of NBP while unstable political and law-and-order situation played a negative role. On the CFS front, the total investment remained at the capped level of PKR 55 billion while the weighted average financing rates declined by 29 bps during the month.

Major activity was witnessed in the TFC market both in listed as well as privately placed TFCs. Average exposure of fixed income funds in TFCs increased from 10% to 12% of the portfolio size. Due to greater demand for TFC, prices have gone up and yields on TFC have come down in the range of 10.50%-10.80%.

Performance of IGIIF

IGI Income Fund (IGIIF) grew to PKR 1,937 million and the NAV per unit was PKR 100.89 as at July 31, 2007. The annualized return for IGI Income Fund for July 2007 was 9.41% while the Fund's benchmark, the average Ask Rate for the 1-month KIBOR was 9.29%. The TFC portfolio of IGIIF currently stands at 5% of the fund size and we plan to further increase this asset class in due course with quality TFCs.

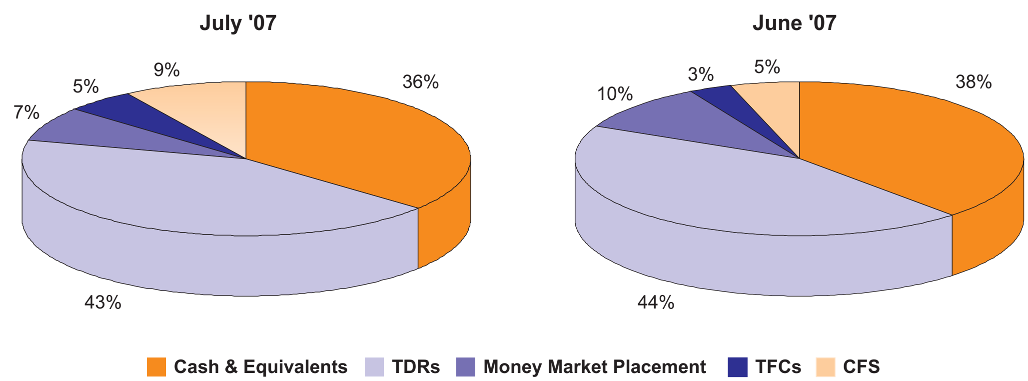
Due to the current volatility in the stock market, IGIIF did not take any exposure in the ready/future spread transactions while exposure in CFS was increased marginally. Our exposure to spread transactions will be restricted if the stock market remains volatile.

Future Outlook

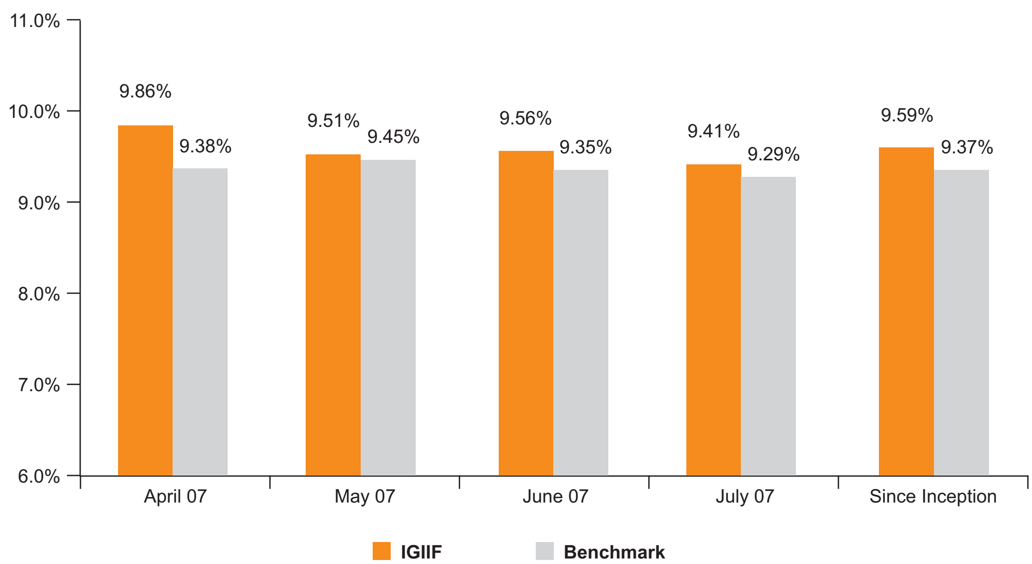
We expect short-term TDR rates to move up only if the private sector credit off-take increases. Banks already enjoy excess liquidity in the system and they do not need to raise funds at high rates. However, Banks may be keen in raising funds in TDRs with maturities in excess of one year as the SBP has brought CRR requirement on term deposits of one year and above to zero. We also expect more PIB auctions in the future as SBP has proposed to the government to raise more funds through PIBs. Funds may also look at PIBs if their AUM continues to grow at current pace.

Funds will also focus on TFC in the absence of attractive yields on TDR and CFS investments. KSE and SECP are considering removing cap of PKR 55 billion on CFS. However this move is not expected to increase the CFS rates as there is already excess liquidity available and it will be enough to cater the financing needs of the investors.

Portfolio Allocation



Performance Comparison



IGI

Funds

IGI Funds Limited

4th 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