

IGI INCOME FUND

Fund Manager's Report

Highlights

Market Review

- Performance of IGIF
- Future Outlook
- Portfolio Allocation



Contact Information

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

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.

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
Dealing frequency	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

Money market remained largely liquid for the month of June and the State Bank of Pakistan (SBP) was unable to keep the supply equilibrium position inline with its tight monetary policy stance. The SBP tried to curb liquidity by conducting a series of OMO transactions throughout the month, withdrawing a total of PKR 61 billion from the system. However, these withdrawals had little effect, if any, as the market continued to remain awash with cash and liquid.

During June 2007, the SBP also conducted two T-Bill auctions raising PKR 55 billion and an auction of Pakistan Investment Bonds (PIBs) for all the designated tenors raising PKR 16 billion against a total participation of PKR 30 billion.

The 6-mth KIBOR averaged 10.03% for June and almost all tenures of KIBOR declined a few basis points during the mid of June. Data released by the SBP revealed that during the first 5 months of CY07, total deposits of scheduled banks increased by 7.54% while advances increased by only 0.65%, suggesting that the advances are not keeping pace with the growth in deposits. This resulted in excess liquidity in the banking system and is driving the TDR rates downward. In June, the stock market continued its bullish charge upward, inline with the sentiment of previous months. With an absolute increase of 811 points during the month, the KSE-100 index closed in June at an all-time high of 13,772 points. Trading activity gained some momentum as the average daily traded volume increased by 71 million shares or 25.6% MoM to 350 million shares per day. On the CFS front, the total investment remained at the capped level with weighted average rate of 11.9%, a MoM increase of 17bps.

Due to lower TDR rates and limit on investments in CFS, Asset Management Companies are increasingly looking at TFCs as the most viable investment option and this has resulted in many new issues being floated in the market. Liquidity in TFCs has also improved with increased activity in the secondary market.

Performance of IGIF

IGI Income Fund (IGIF) grew to PKR 1,677 million and the NAV per unit was PKR 102.04 as at June 30, 2007. The annualized return for IGI Income Fund for June 2007 was 9.55% while the Fund's benchmark, the average Ask Rate for the 1month KIBOR was 9.35%.

For the year ended June 30, 2007, the Board of Directors of IGI Funds Ltd. announced a bonus issue of 1.944 units per 100 units for the IGI Income Fund. Annualized return of IGIF for this period stood at 9.67% against 9.40% on its 1-month KIBOR benchmark.

The TFC portfolio of IGIF currently stands at 3% of the Fund size and the management is considering a further increase in this allocation. Since the stock market is at its highest levels and exhibiting volatility, the exposure in spread transactions was reduced to zero thereby mitigating volatility in the NAV. This volatility reduction is in line with our objective of providing positive returns each day to meet the cash management needs of our investors. As a result of the improvement in CFS rates, IGIF increased its exposure in CFS to 5%.

Future Outlook

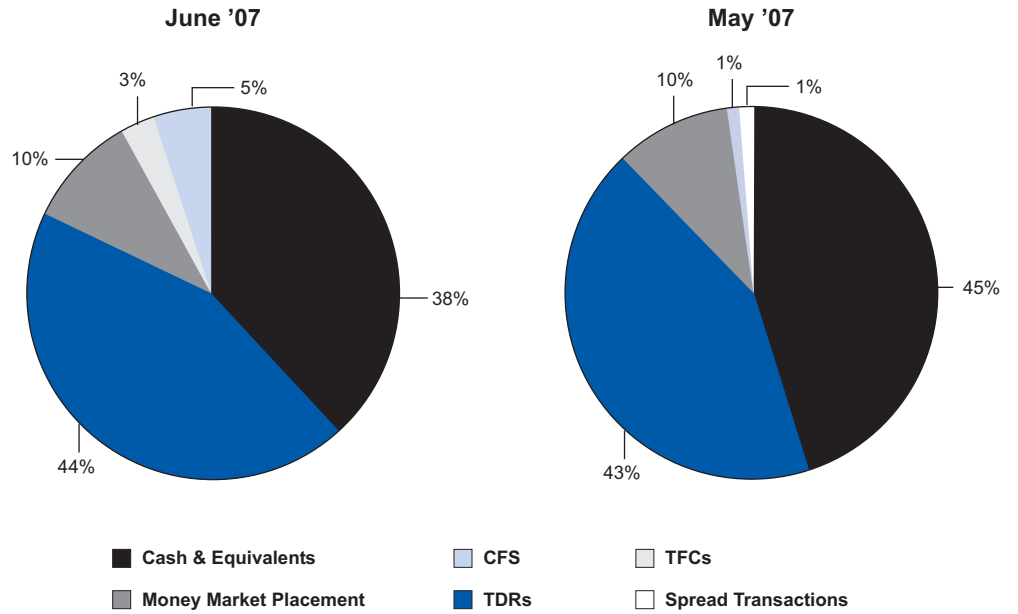
SBP will be announcing its policy for the next half year in July 2007, which will set the direction for the fixed income market. We expect SBP to continue with its tight monetary policy stance as CPI is still above targeted levels due to continuous rise in food prices. Currently bank deposit rates are on the decline due to excess liquidity available in the banking system. Some quarters are expecting an increase in reserve requirements for the banks by SBP. If this happens, along with some rise in credit off-take, we may see some improvement in the deposit rates.

As long as the assets of fixed income mutual funds continue to grow we expect the TFC market to remain upbeat and will see more and more companies tapping the capital markets to raise funding for their long term projects.

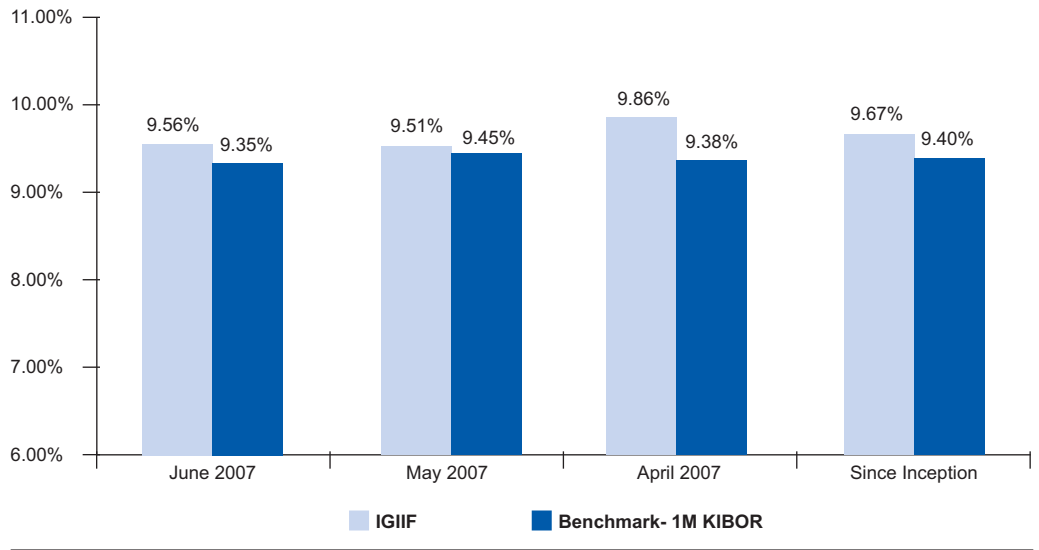


We also expect the CFS rates to remain range bound as CFS investments are capped at PKR 55 billion.

Portfolio Allocation



Performance Comparison



IGI

Funds

IGI Funds Limited

4th Floor, Shaheen Commercial Complex,
Dr. Ziauddin Ahmed Road,
Karachi 74200– Pakistan
UAN: 111-367-444 (111-FOR-IGI)
Toll Free: 0800 2 34 34
Fax: +92.21.227.2415
Email: contact.center@igi.com.pk



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