

Monthly Fund Review

August, 2011 Issue

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IGI Funds Limited
Rated "AM2-" by JCR-VIS

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Economic & Capital Markets Review

Economic Review

In August, the 6M KIBOR average declined by 43bps to 13.4% after the discount rate was slashed by 50bps. The current account balance for the first month of FY12 was in deficit at US\$75mn, due to absence of any inflow in the capital account. However, exports during July were robust at US\$2.1bn (28% YoY) while imports grew by meager 7.8% YoY to US\$3.2bn. Resultantly, the trade deficit declined to US\$1.0bn (-19% YoY). Remittances continued to depict impressive double digit growth; 39% YoY to US\$1.1bn in July.

Inflation for Aug-11 is expected around 13% YoY which is a growth of 1.6% MoM. This growth is primarily attributable to food inflation (Ramzan effect) and increase in gas prices.

In the first two months of the fiscal year, budgetary support borrowing by the government stood at PKR 128bn up by 32% YoY (2MFY11: PKR 94bn). However borrowing from SBP was curtailed in preference for borrowing from commercial banks.

Forex reserves of the country declined to US\$17.9bn (-2% MoM) after touching US\$18.3bn in July. The PKR remained under pressure against the dollar and depreciated by 1.6% over Jul-Aug' 12 against 0.6% in FY11.

Going forward, inflation is expected to subside in 1HFY11 owing to the high base of the preceding year. This may provide room to the central bank for further monetary easing. Moreover with IMF Loan payments starting in 2HFY12, we could see pressure on forex reserves specially in the absence of American aid support.

Money Market Review

The average overnight rate of 12.8% was indicative of shortage of liquidity during the month under review. SBP, keeping in view the liquidity constraint being faced due to cash outflow in Ramadan, injected a sum of PKR 640.4bn in the market.

The T-Bill cut-off yields fell after slashing of discount rate. The 3m paper declined by 42bps to 13.07%, 6m paper yield fell by 48bps to 13.2787% and 1-Yr paper yield fell by 53bps to 13.38%. The bids remained concentrated in 6m (13%) and 1-yr (96%) MTBs depicting market expectations that discount rate will further decline in 1HFY11. The government too decided to borrow from longer dated securities by accepting 95% bids from 1-yr paper.

The longer end of the yield curve too got dragged down with cut-off yield on 3-Yr, 5-Yr and 10-Yr PIBs declining by 52bps, 55bps, and 58bps to 13.48%, 13.50% and 13.51% respectively.

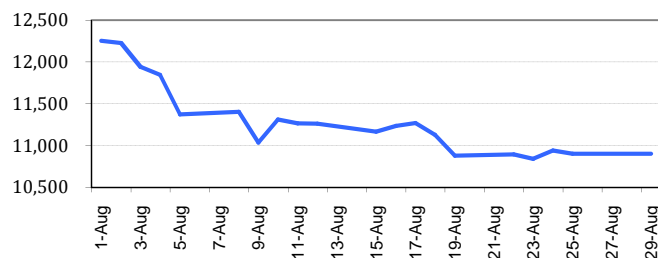
The corporate bond market remained dull with total volume of PKR562bn against last month's volume of PKR 702bn. The trades remained primarily concentrated in fixed coupon and higher spread TFCs depicting market's expectation of further decline in interest rate. With respect to shariah compliant bonds, the focus remained on Ijara Sukuk issue VII and VIII as no further auction has been announced till date.

Going forward, we expect bidding patterns to be concentrated in the longer tenors. Based on yield curve movements, there might be further declines in T-Bill and PIB cutoffs in future auctions.

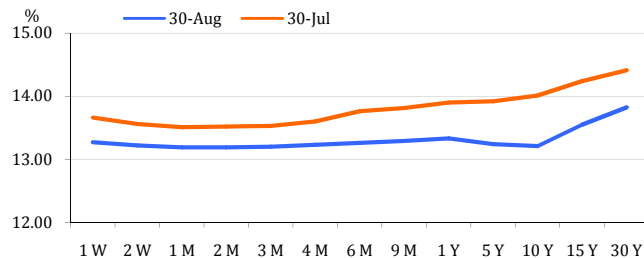
Equity Market Review

The Karachi bourse witnessed severe battering during August as sell off in global stock markets on dismal global economic growth forecast and concerns over European debt crises propelled investors to square their positions. Furthermore, concerns over violence and security measures in the city, alongside limited institutional support also contributed to the negative sentiment at KSE. KSE-100 declined by -9.19% during the month while touching a 32-Week low of 10,842 points. The average daily trading volume declined to 49mn shares in August. Foreign investors remained net sellers during the month, with an outflow of US\$11.6mn. Positive news flow from Corporate Result Season failed to generate upward movement. Going forward, strong corporate results and expectation of monetary easing in upcoming policies are factors supporting our outlook for Index recovery. Blue chip stocks, trading at steep discounts make valuations attractive, and are offering an ideal opportunity for investment. With the announcement of Quantitative Easing (QE3) in US expected in Mid-September, we may witness an influx of foreign investment at the local bourse which will provide the much needed impetus to market sentiment.

KSE-100 Index Movement



Yield Curve



Members of Investment Committee

Chairperson	Maheen Rahman , <i>Chief Executive Officer</i>
Member	Syed Muhammad Zeeshan , <i>Chief Financial Officer</i>
Secretary	Muddasir Ahmed Shaikh , <i>Chief Investment Officer</i>
Member	Syed Saifullah Kazmi , <i>Portfolio Manager</i>
Member	S. Salman Raza Naqvi , <i>Group Head - Risk & Credit Management</i>

MUFAP's Recommended Format



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IGI Income Fund

Rating: "A+(f)" by JCR-VIS

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.

Basic Fund Information

Category:	Income Scheme	Management Fee:	1.25%
Fund Type:	Open Ended	Min. Initial Investment:	PkR 5,000/-
Benchmark:	6 Month KIBOR	Min. Subseq. Investment:	PkR 1,000/-
Launch Date:	April 14, 2007	Trustee:	CDC Pakistan Limited
Par Value:	100	Auditor:	KPMG, Taseer Hadi & Co.
Pricing:	Forward Day	Listing:	Lahore Stock Exchange
Sales Load:	1.00%	Dealing Days:	Monday - Friday
Risk Profile:	Low	Cut-off Time:	9:00 am - 3:00 pm
Leverage:	Nil		

Fund Statistics

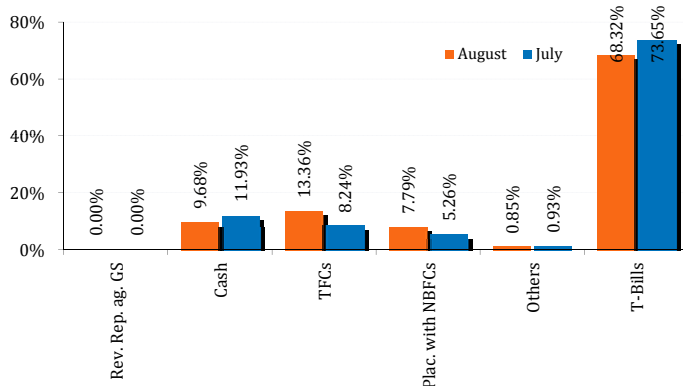
Fund Size (PkR mn):	982
NAV (PkR):	102.6629
Wtd. Average Time to Maturity (months):	19.42
Standard Deviation:	0.0119
Sharpe Ratio:	-1.24
Information Ratio:	-1.57
Expense Ratio:	1.67%

Fund Performance

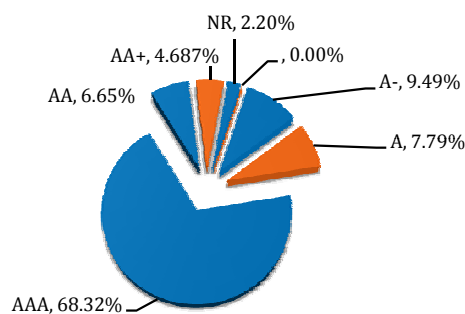
	IGI IF	BM
YTD:	12.53%	13.59%
Month (Aug '11):	13.85%	13.37%
Since Inception:	11.56%	12.11%

- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns
 - Sharpe Ratio has been calculated against average 3-month T-Bill yield.
 - Expense Ratio is Ratio of total expenses including management fee to the average annual net assets.
 - YTD & MTD returns calculated using simple annualized; SI return calculated using Morning Star Model

Asset Allocation (as % of Total Assets)



Portfolio Credit Quality



Fund Activity

IGI IF outperformed its benchmark in Aug'11, by generating a MTD return of 13.85% (BM: 13.37%). This was attributed to maintaining greater exposure in Fixed Yield TFCs, which have become attractive post reduction in DR. Favorable trading levels bolstered NAV appreciation. Exposure in short term T-Bills was trimmed to build the TFC portfolio. Reshuffling into mid to long term papers was also conducted to capture the more stable and higher yields. Further support was added by short term MMK placements at above market rates. Looking ahead, the fund intends to build upon its TFC portfolio. IGI IF will also be an active participant in upcoming Bond and T Bill auctions.

TFC Holdings (% of Net Assets)

Bank Alfalah Limited - (2-Dec-09) - Fixed	7.14%
Bank Al Habib IV - (30-Jun-11) - Fixed	5.17%
Bunnys Limited - (13-Nov-08)	1.54%
Vision Dev. (Pvt) Limited - (30-Nov-08)	0.89%

Details of Non Compliant Investments

Instrument	Type of Instrument	Value of Investment before Provisioning	Provisioning Held, if any	Value of Investment after Provisioning	% of Gross Asset	% of Net Asset
Bunnys Limited	Term Finance Certif.	20,110,000	(5,027,500)	15,082,500	1.39%	1.54%
Vision Dev. (Pvt) Limited	Term Finance Certif.	11,635,000	(2,908,750)	8,726,250	0.81%	0.89%

FY11 Rolling Returns

	Jul-11	Aug-11	YTD
IGI IF	10.93%	13.85%	12.53%
BM	13.80%	13.37%	13.59%

- Returns till Dec, 2010 calculated using Morning Star Model; Returns from Jan, 2011 onwards calculated using simple annualized method

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IGI Stock Fund

Rating: "4 Star" by PACRA

Investment Objective

The investment objective of IGI Stock Fund (IGI SF) is to seek long-term capital growth by investing primarily in a diversified pool of equities and equity related instruments, management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws.

Basic Fund Information

Category:	Equity Scheme	Min. Initial Investment:	PkR 5,000/-
Fund Type:	Open Ended	Min. Subseq. Investment:	PkR 1,000/-
Benchmark:	KSE - 100	Trustee:	CDC Pakistan Limited
Launch Date:	July 15, 2008	Auditor:	KPMG, Taseer Hadi & Co.
Par Value:	100	Listing:	Lahore Stock Exchange
Pricing:	Forward Day	Dealing Days:	Monday - Friday
Sales Load:	2.50%	Cut-off Time:	9:00 am - 3:00 pm
Management Fee:	2.00%		
Leverage:	Nil		

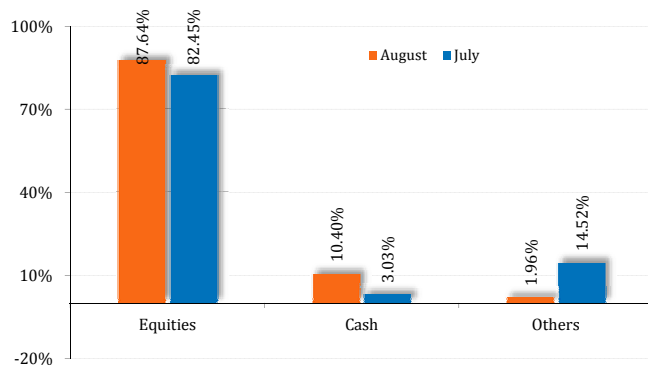
Fund Statistics

Fund Size (PkR mn):	222
NAV (PkR):	99.4054
Standard Deviation:	0.050
Information Ratio:	0.076
Beta:	0.922

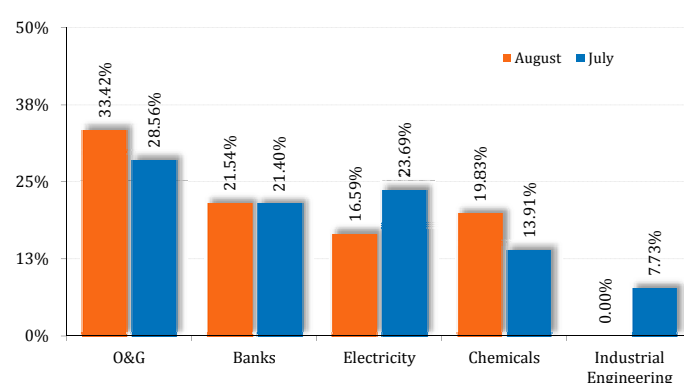
Fund Performance

	IGI SF	BM
YTD:	-7.22%	-11.41%
Month (Aug '11):	-8.85%	-9.19%
Since Inception:	102.61%	11.23%

Asset Allocation (as % of Total Assets)



Asset Allocation (Sector wise)



Fund Activity

IGI SF generated a return of -8.85% (BM: -9.19%) for the period under review. The fund paced itself with a lackluster market, by realizing gains in its Electricity and Engineering sectors. The released funds were redirected into Oil and Chemicals, both sectors that identified growth potential based on strong fundamental data. In addition, the ongoing result season has been favorable for the index.

Going forward, IGI SF will maintain a strong position in key sectors. The upcoming MPS may prove favorable for the equities, translating into volume growth. In addition, improvement in international equities will also echo favorably for the local bourse.

Top 10 Equity Holdings (% of Net Assets)

	Aug	Jul
POL	10.03%	9.40%
HUBC	9.87%	12.38%
FFC	9.53%	11.65%
UBL	8.15%	7.94%
APL	7.65%	0.00%
MCB	7.29%	6.78%
OGDC	7.27%	8.05%
NBP	7.01%	7.44%
ENGRO	6.23%	0.00%
KAPCO	6.19%	7.75%

FY11 Rolling Returns



* Returns till Dec, 2010 calculated using Morning Star Model; Returns from Jan, 2011 onwards calculated using simple annualized method

MUFAP's Recommended Format

IGI Money Market Fund

Rating: "AA+(f)" by JCR-VIS

Investment Objective

An open-ended Money Market Scheme which shall seek to generate competitive returns consistent with low risk from a portfolio constituted of short term instruments including cash deposits, money market placements and government securities. The Fund will maintain a high degree of liquidity, with time to maturity of single asset not exceeding six months and with weighted average time to maturity of Net Assets not exceeding 90 days.

Basic Fund Information

Category:	Money Market Scheme	Management Fee:	0.80%
Fund Type:	Open Ended	Min. Initial Investment:	Pkr 5,000/-
Benchmark:	Avg. 3 Mth Dep. Rates of 3 "AA" Rated Banks	Min. Subseq. Investment:	Pkr 1,000/-
Launch Date:	May 27, 2010	Trustee:	CDC Pakistan Limited
Par Value:	100	Auditor:	KPMG, Taseer Hadi & Co.
Pricing:	Forward Day	Listing:	Lahore Stock Exchange
Sales Load:	1.00%	Dealing Days:	Monday - Friday
Risk Profile:	Low	Cut-off Time:	9:00 am - 3:00 pm
Leverage:	Nil		

Fund Statistics

Fund Size (Pkr mn):	3864
NAV (Pkr):	100.4846
Wtd. Average Maturity (months):	2.73
Standard Deviation:	0.0307
Sharpe Ratio:	-0.106
Information Ratio:	1.2416
Expense Ratio:	1.00%

Fund Performance

	IGI MMF	BM
YTD:	12.40%	8.36%
Month (Aug '11):	12.64%	7.33%
Since Inception:	12.18%	8.61%

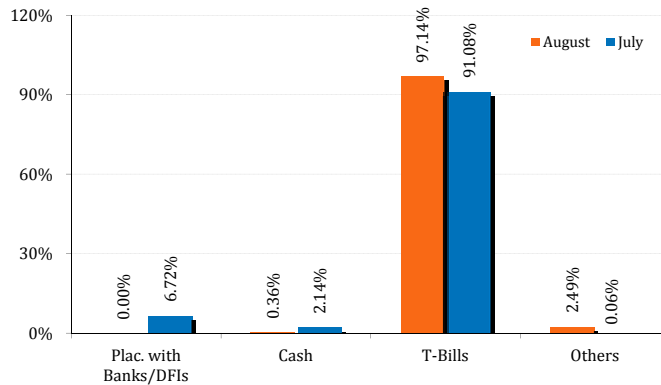
- Standard Deviation, Sharpe Ratios have been calculated using Rolling Returns

- Sharpe Ratio has been calculated against average 3-month T-Bill yield.

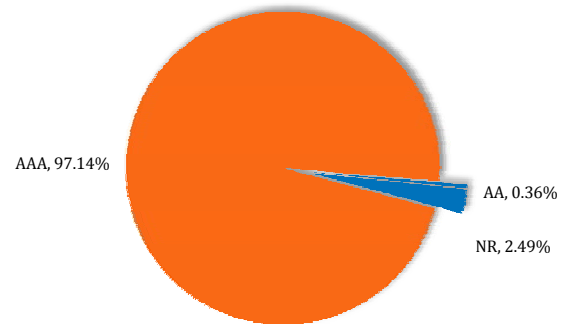
- Expense Ratio is Ratio of total expenses including management fee to the average annual net assets.

- YTD & MTD returns calculated using simple annualized; SI return calculated using Morning Star Model

Asset Allocation (as % of Total Assets)



Portfolio Credit Quality



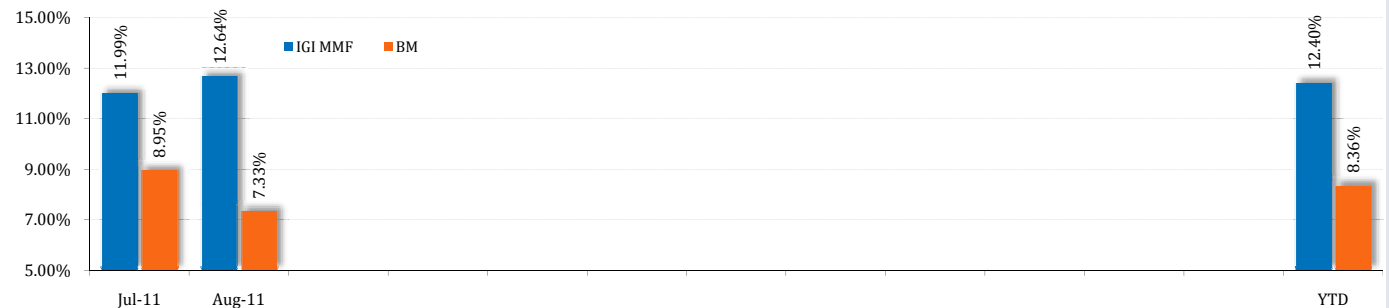
Fund Activity

IGI MMF continues to outperform the benchmark, generating a MTD return of 12.64% against the benchmark in Aug'11.

The fund maintained a strategy with main exposure in T-Bills, utilising all available cash. Under the T-Bill portfolio, maximum exposure in Mid Term paper was achieved to capture the relatively stable and higher accruals than the Short Term papers. Balanced distribution across key tenures allowed the fund to hedge against volatility from revaluations. In addition, previously obtained instruments are accruing a higher yield than those in the post DR cut market. Thus, the fund benefits from higher gross accruals on a daily basis.

Looking ahead, IGI MMF will maintain a strong position in T-Bills. Mid term placements in banks, which fell during the period under review, will be substituted for short term LOPs, as rates are more attractive. Participation in future T-Bill auction will continue.

FY11 Rolling Returns



- Returns till Dec, 2010 calculated using Morning Star Model; Returns from Jan, 2011 onwards calculated using simple annualized method

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IGI Islamic Income Fund

Rating: 'A+ (f)' by PACRA

Investment Objective

The investment objective of IGI Islamic Income Fund (IGIIF) is to minimize risk, construct a liquid portfolio of shariah approved fixed income investments 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.

Basic Fund Information

Category:	Islamic Income Scheme	Management Fee:	1.50%
Fund Type:	Open Ended	Min. Initial Investment:	PkR 5,000/-
Benchmark:	Avg. 6 Mth Dep. Rates - 3 Islamic Banks	Min. Subseq. Investment:	PkR 1,000/-
Launch Date:	December 3, 2009	Trustee:	CDC Pakistan Limited
Par Value:	100	Auditor:	KPMG, Taseer Hadi & Co.
Pricing:	Forward Day	Listing:	Lahore Stock Exchange
Sales Load:	1.00%	Dealing Days:	Monday - Friday
Risk Profile:	Low	Cut-off Time:	9:00 am - 3:00 pm
Leverage:	Nil		

Fund Statistics

Fund Size (PkR mn):	398
NAV (PkR):	102.0007
Wtd. Average Maturity (months):	21.00
Standard Deviation:	0.0048
Information Ratio:	3.16
Expense Ratio:	1.89%

Fund Performance

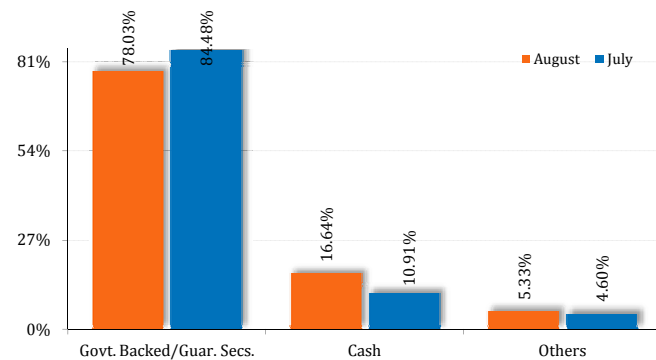
	IGI IIF	BM
YTD:	10.56%	8.67%
Month (Aug '11):	10.17%	8.69%
Since Inception:	10.31%	8.37%

- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns

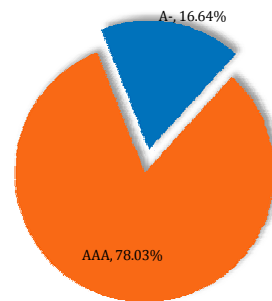
- Expense Ratio is Ratio of total expenses including management fee to the average annual net assets.

- YTD & MTD returns calculated using simple annualized; SI return calculated using Morning Star Model

Asset Allocation (as % of Total Assets)



Portfolio Credit Quality



Fund Activity

The Fund yielded a MoM return of 10.17% during the month under review. The Fund received redemption requests which reduced the net assets by approx. 18% to PKR 398 mn.

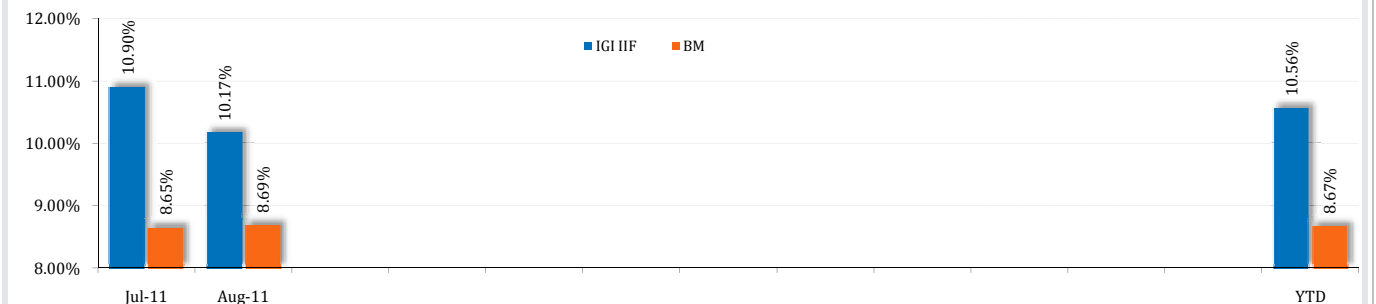
With ample liquidity in inter-bank system, falling rates on shariah compliant investment options and delay in announcement of Ijara Sukuk auction by SBP resulted in rising interest in the latest Ijara Sukuk issues. The sukuk traded above their par values throughout the month. The Fund shed its exposure in Ijara Sukuks to realize gain.

Going forward, the investment focus will be kept on higher yielding placements with FIs and GOP Ijara/Corporate Sukuks.

Sukuk Holdings (% of Net Assets)

GoP Ijara - IV	13.33%
GoP Ijara - V	15.65%
GoP Ijara - VII	47.76%
GoP Ijara - VIII	6.00%

FY11 Rolling Returns



- Returns till Dec, 2010 calculated using Morning Star Model; Returns from Jan, 2011 onwards calculated using simple annualized method

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IGI Aggressive Income Fund

Rated: "BBB(f)" by PACRA

Investment Objective

The investment objective of the Scheme is to provide an investment medium whereby investors can participate in a portfolio that will seek to generate competitive income.

Basic Fund Information

Category:	Aggressive Income Scheme	Management Fee:	1.00%
Fund Type:	Open Ended	Min. Initial Investment:	PkR 5,000/-
Benchmark:	6 Month KIBOR	Min. Subseq. Investment:	PkR 1,000/-
Launch Date:	October 25, 2007	Trustee:	CDC Pakistan Limited
IGIFL Acquisition Date:	August 6, 2010	Auditor:	KPMG, Taseer Hadi & Co.
Par Value:	100	Listing:	Karachi Stock Exchange
Pricing:	Forward Day	Dealing Days:	Monday - Friday
Sales Load:	1.00%	Cut-off Time:	9:00 am - 3:00 pm
Risk Profile:	Low	Leverage:	Nil

Fund Statistics

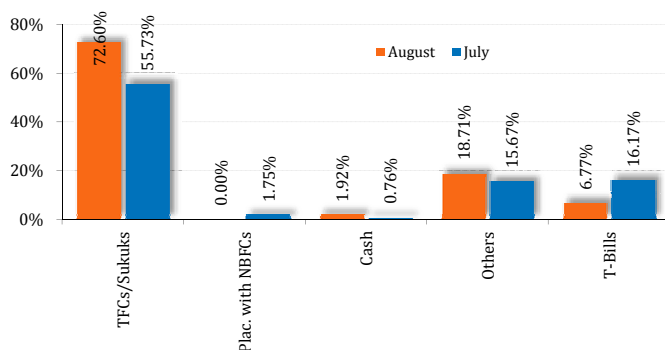
Fund Size (PkR mn):	605
NAV (PkR):	42.2903
Wtd. Average Maturity (months):	35.01
Standard Deviation:	0.2574
Sharpe Ratio:	-0.81
Information Ratio:	-0.83
Expense Ratio:	2.52%

Fund Performance

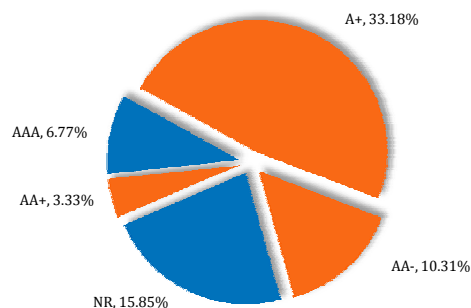
	IGI AIF	BM
YTD:	11.31%	13.59%
Month (Aug '11):	12.01%	13.37%
Since Acquisition:	-7.15%	13.35%

- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns
 - Sharpe Ratio has been calculated against average 3-month T-Bill yield.
 - Expense Ratio is Ratio of total expenses including management fee to the average annual net assets.
 - YTD & MTD returns calculated using simple annualized; SI return calculated using Morning Star Model

Asset Allocation (as % of Total Assets)



Portfolio Credit Quality



Fund Activity

The Fund marked improvement in MoM performance with 12.01% appreciation during the month under review. The Fund serviced a redemption leaving the net assets at a level of PKR 605mn.

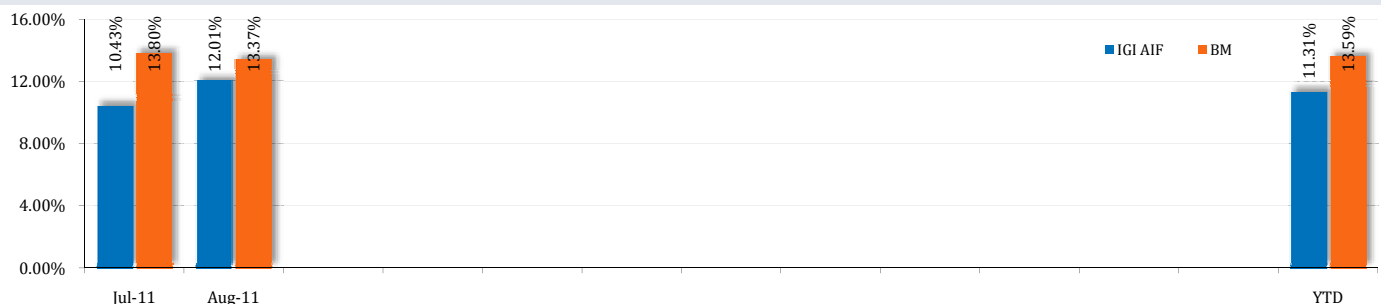
During the month, the favorable price movement of the BAFL TFC led to realization of gains on the holdings. The rest of the corporate bonds' portfolio was held constant. For cash and cash equivalent requirement, the Fund focused on shorter tenor T-Bills. The maturing T-Bill placements were reinvested in the same avenue either through auction bidding or secondary market purchase. The settlement of placement with SPLC is expected to be completed by the end of the coming month.

Going forward, the Fund plans to maintain its focus on investment in high yielding corporate bonds of Banking sector issuers.

TFC/Sukuk Holdings (% of Net Assets)

Pak Mobile Communication - (28-Oct-08)	26.31%
Kohat Cement - (20-Dec-07)	12.27%
UBL Bank - (14-Feb-08)	11.96%
Bank AlFalah - (2-Dec-09) - Fixed	0.83%
NIB Bank - (05-Mar-08)	7.15%
Askari Bank - (18-Nov-09)	5.13%
Vision Devp. Pvt - (30-Nov-08)	3.72%
Bank Al Habib IV - PPTFC	3.36%
Bank AlFalah - (2-Dec-09) - Floater	2.51%

FY11 Rolling Returns



- Returns till Dec, 2010 calculated using Morning Star Model; Returns from Jan, 2011 onwards calculated using simple annualized method

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