

Monthly Fund Review

December, 2011 Issue

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

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Economic, Capital & Commodity Markets Review

Economy

The change in CPI basket brought some respite to inflation figures as the YoY inflation figure for the month of December stood at a digit figure of 9.75%. Any further cut in the discount rate hinges on PKR-US\$ parity as well as Jan' 12 inflation figure. The rupee has already lost more than 5% against the greenback, while inflation appears to be stabilizing at 11.50% for FY12.

On the external account, the data issued by SBP reveals the 5MFY12 current account posted a deficit of USD 2.104bn against a deficit of USD589mn in the same period last year. Home remittances grew by 18% to stand at USD 5.239 bn, however the balance of payments were seen to stand at a deficit of USD 6.45 bn for 5MFY12 as opposed to a deficit of USD 10.47 bn FY11. Net foreign investments also recorded a decline of 59.3% over the corresponding period last year and stood at a meager USD 304 mn as opposed to USD 749 mn. These were the major components which have exerted pressure on foreign exchange reserves that have fallen from USD 18.24 bn (End June) to USD 16.77 bn (23-dec).

Money Market

Money market liquidity remained comfortable in November as Overnight rate (KONIA issued by FMA) averaged at 11.2% for the month. SBP managed liquidity with a net injection of PKR214.7bn in the market against 1.381trn last month. However, PKR depreciation, deteriorating external account and expectations of higher inflation in 2HFY12 kept yields at higher levels. The T-Bills auction showed a surge in cut-off yields by 18bps and 10bps to 11.83% and 11.90% in 3M and 12M instruments while 6M was rejected as expectations seemed to be leaning towards a rate reversal. Similarly at the longer end yield curve bull was witnessed as Cut-off yields for 3yr and 10yr PIB increased by 23bps and 38bps to 12.45% and 12.70%. Average 6M KIBOR increased closed to discount rate at 11.98% for December.

The Corporate Bond Market remained active with volumes of PKR 869mn. The trades remained primarily concentrated in Banking Sector scrips(61%). In Islamic Bond Market, GoP issued Ijara IX at cutoff yield of 6M PKRV(11.94%).

Going onwards, with December inflation touching single digit(9.75%), average yearly inflation is expected to stay around 11% for next couple of months. This may give room for 50bps cut in Discount Rate; however PKR-US\$ parity will be key to this expectation.

Equity Market

The KSE ended 2011 with YoY loss of 5.6% to close at 11,348 while daily volumes shrunk to their 13yr low to average at 79mn shares compared to CY10 where the index return stood at 28% with daily volumes averaged at 122mn shares.

The market's performance during CY11 was demarcated along clear lines between the first and the second half of the year. 1H CY11 posted returns of 3.9% buoyed by various factors. Key foreign interest soared as net investment stood at USD 30mn and strong corporate earnings posted growth of 22% YoY for 6mo ending Jun11. Moreover, the market remained fairly liquid during the period Jan-Jun11 with daily volumes averaging at 98mn. The market's divergent performance can be largely explained by various factors. Imposition of CGT created uncertainty draining the market of liquidity. Sharp devaluation in the PKR in the latter CY11 prompted foreign selling. On the global front, Euro-zone crisis resulted in a heightened level of risk averseness amongst international investors.

Based on key sectors, fertilizer (urea prices by up by 64% YoY) emerged as the best performing sector of the year with returns of 22.5% followed by E&P (oil prices up by 42% YoY) at 18.2%. On an annual basis, these were the only two sectors to post positive returns while the textile sector (in line with plummeting cotton prices) lost 34% followed by chemicals (trough phase in the petrochemical cycle) at 29.2% and banks (anticipation of contracting spreads) at 23.9%.

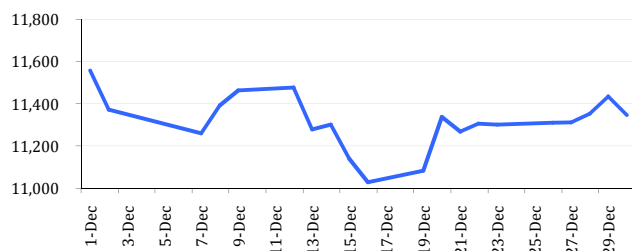
Nevertheless, valuation and earnings growth are both attractive and we look forward to a better 2012 on Euro zone issues and stronger US Data.

Commodity Market

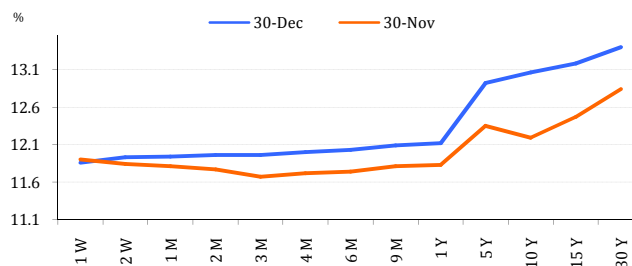
During the month of December Gold fell to six-month low. It was down around 19 percent from a record \$1,920.30 per ounce in September and recorded first quarterly loss in more than three years. Gold made a cyclical high in the third quarter, and saw a more protracted consolidation in 4Q. However, the precious metal rose about 10 percent for 2011 - its tenth straight annual gain.

Crude oil prices ended the month on a positive note on signs that the U.S. economic recovery is gaining momentum and on concern that tensions with Iran may lead to a disruption in Middle East exports. Upside geopolitical risks are expected to outweigh the potential downside on prices from a slowing economy while inventories remain relatively low and supply and demand fundamentals point to declining OPEC spare capacity over time. This will exert an upward pressure on crude prices and WTI will hover above US\$100/bbl.

KSE-100 Index Movement



Yield Curve



Members of Investment Committee

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

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:	E&Y, Ford Rhodes Sidat Hyder
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

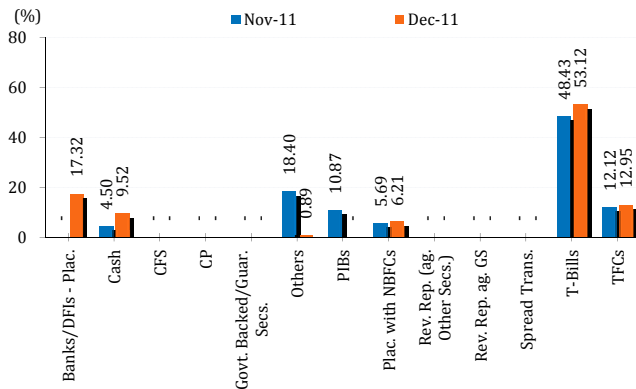
Fund Size (PkR mn):	1,318
NAV (PkR):	100.6291
Wtd. Average Time to Maturity (months):	16.31
Standard Deviation:	0.0334
Sharpe Ratio:	-0.74
Information Ratio:	-0.84
Expense Ratio:	1.65%

Fund Performance

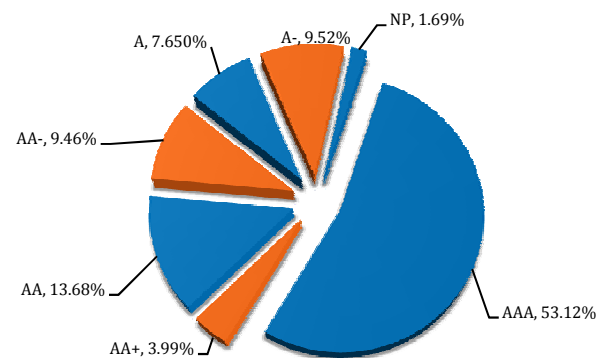
	IGI IF	BM
YTD:	10.81%	12.79%
Month (Dec '11):	1.64%	11.98%
Since Inception:	11.78%	12.13%

- 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 generated a MTD return of 1.64% in Dec'11, over the BM return of 11.98%. The fund managed to stay in the positive zone despite a very volatile Interest rate environment during the month as yields on longer term PIBs and T-bills rose significantly due to liquidity shortage in the market. The excess appetite of banks for TDRs in December also fueled high yields.

The fund increased its exposure in TDRs due to availability of attractive rates, and reduced its exposure in PIBs, to avoid high volatility.

Going forward, the fund will look to increase exposure in medium tenor instruments (1 year T-bills). Our aim will be to capture higher gains from capital gains if the interest rate moves down

TFC Holdings (% of Net Assets)

Bank Alfalah Limited - (2-Dec-09) - Fixed	5.86%
Bank Al Habib IV -(30-Jun-11)- Fixed	4.02%
Summit Bank Limited	1.46%
Bunnys Limited - (13-Nov-08)	0.98%
Vision Dev. (Pvt) Limited - (30-Nov-08)	0.73%

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	(7,239,612)	12,870,388	0.97%	0.98%
Vision Dev. (Pvt) Limited	Term Finance Certif.	11,635,000	(2,044,098)	9,590,902	0.72%	0.73%
Pak Hy Oils Limited	Term Finance Certif.	15,000,000	(15,000,000)	0	0.00%	0.00%

FY11 Rolling Returns

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	YTD
IGI IF	10.93%	13.85%	13.48%	14.71%	8.75%	1.64%							10.81%
BM	13.80%	13.37%	13.38%	12.28%	11.91%	11.98%							12.79%

- 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:	E&Y, Ford Rhodes Sidat Hyder
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		

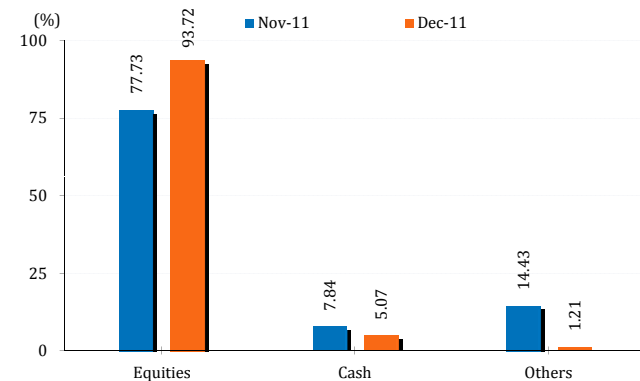
Fund Statistics

Fund Size (PkR mn):	282
NAV (PkR):	100.2517
Standard Deviation:	0.052
Information Ratio:	0.252
Beta:	0.930

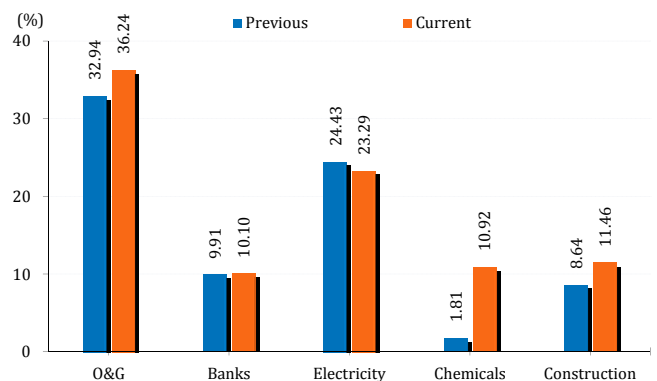
Fund Performance

	IGI SF	BM
YTD:	-6.43%	-9.19%
Month (Dec '11):	-3.63%	-1.61%
Since Inception:	104.34%	3.54%

Asset Allocation (as % of Total Assets)



Asset Allocation (Sector wise)



Fund Activity

IGI SF generated a MTD return of -3.63% for Dec'11, vs. the index performance of -1.61% for the same period.

The underperformance was attributed to heavy oscillations in the bourse with low volumes. The Fund increased its exposure in key areas, accumulating stocks trading at their fundamental lows. This increased the volatility in the NAV for the month under review. Performance was mainly seen in Oil and Fertilizer, whereas Banks remained dull.

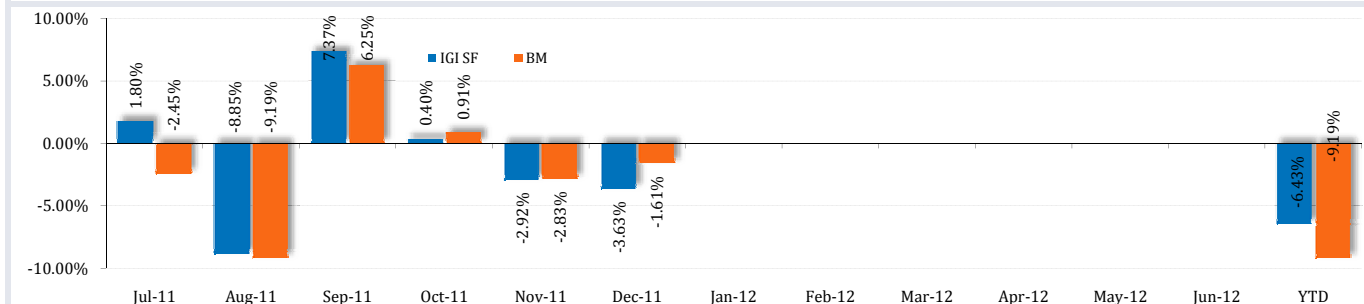
Looking Ahead, we feel the market will perform better, as the next quarter will see announcement of results. The Fund will maintain its position in key stocks and realize gains to support NAV appreciation

Top 10 Equity Holdings (% of Net Assets)

	Dec	Nov
POL	10.74%	10.09%
HUBC	10.34%	10.12%
NCPL	9.18%	7.29%
LUCK	7.43%	5.10%
APL	7.09%	8.16%
OGDC	6.68%	6.16%
FFC	6.37%	0.00%
PPL	6.09%	4.86%
PSO	5.80%	4.91%
UBL	5.77%	5.78%

Exposure in HUBC and POL are above the regulatory limit of 10%. This is the result of price appreciation.

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:	E&Y, Ford Rhodes Sidat Hyder
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):	3700
NAV (PkR):	100.7118
Wtd. Average Maturity (months):	1.30
Standard Deviation:	0.0097
Sharpe Ratio:	-1.210
Information Ratio:	2.7585
Expense Ratio:	1.00%

Fund Performance

	IGI MMF	BM
YTD:	12.11%	7.57%
Month (Dec '11):	9.98%	6.67%
Since Inception:	12.46%	8.32%

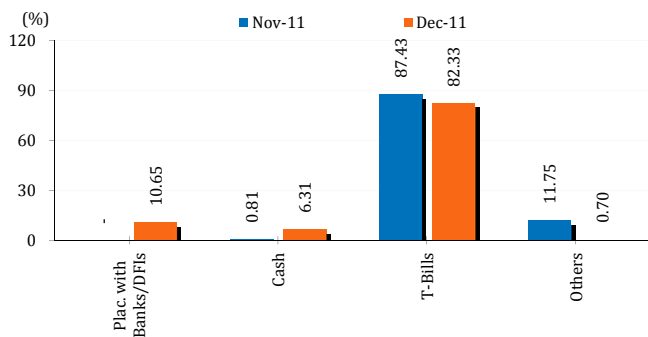
- Standard Deviation, Sharpe Ratios have been calculated using Rolling Returns

- 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



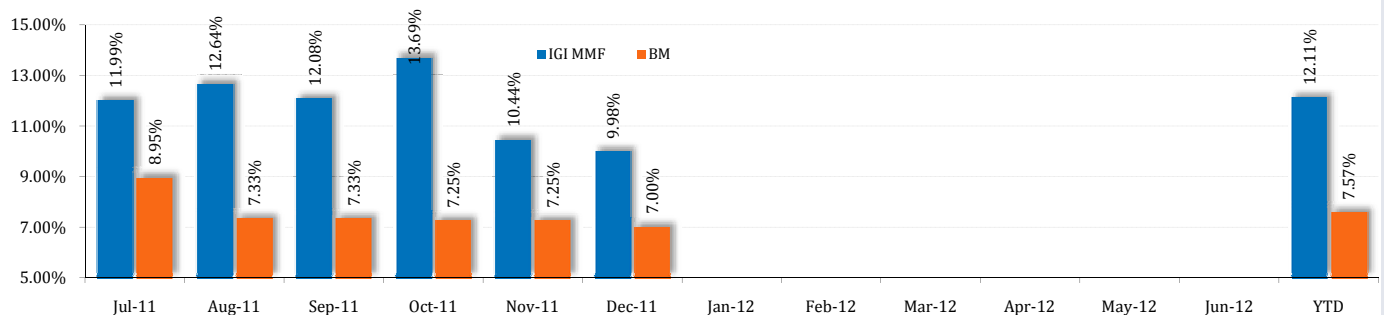
Fund Activity

IGI MMF generated a return of 9.98% and a YTD return of 12.11% for the period under review.

Due to the seasonality, the Fund directed its attention to parking funds in short term Term Deposits with banks. The volatile yield movement in T-Bills made this a viable option. Therefore, 11% of the fund size was parked into 1month TDRS at above market rates. Maturities from T-Bills were partially utilized for this purpose and the remainder was parked back into T-Bill. In addition, IGI MMF opted to reduce the volatility from revaluations on T-Bills. Therefore, duration was significantly reduced to service this strategy and allow for stable return growth.

Looking ahead, macro economic indicators will dictate the direction of yields across all instruments. IGI MMF will look to realize gains, whilst still maintaining a strong presence in the market

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



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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:	E&Y, Ford Rhodes Sidat Hyder
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

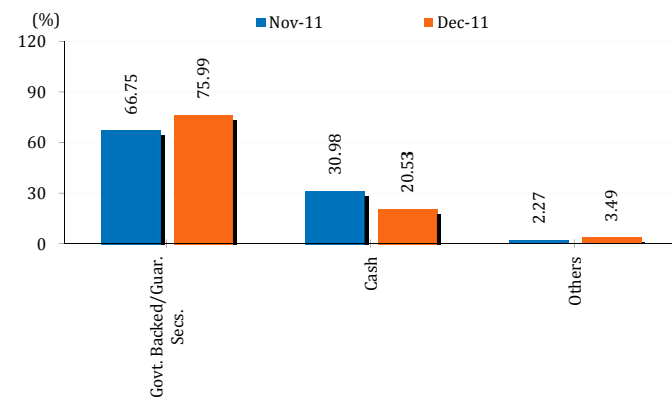
Fund Size (PkR mn):	400
NAV (PkR):	101.3298
Wtd. Average Maturity (months):	17.86
Standard Deviation:	0.0254
Information Ratio:	0.82
Expense Ratio:	1.93%

Fund Performance

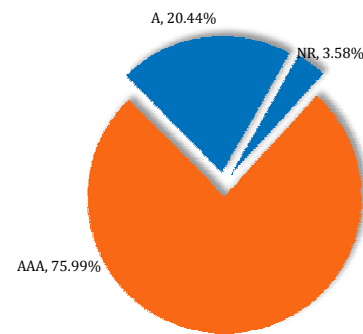
	IGI IIF	BM
YTD:	11.62%	8.56%
Month (Dec '11):	8.04%	8.31%
Since Inception:	10.92%	8.39%

- 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



* Current cash & cash equivalent exposure is below regulatory limit of 25% of net assets

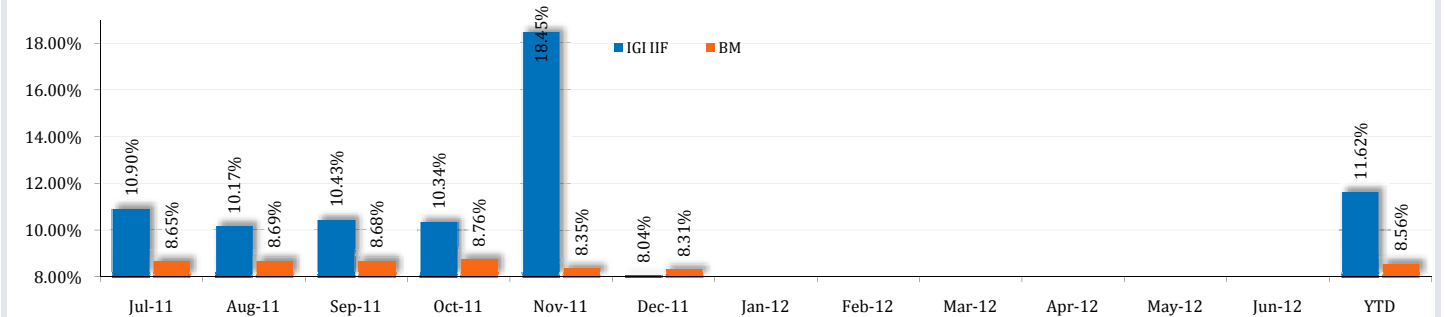
Fund Activity

In December, IGI IIF posted a return of 8.04% for the month owing to some adverse revaluations on its GoP Ijara portfolio. The preference for GoP issued islamic instruments was maintained. The Fund's lower risk and the attractive yield is expected to attract fresh investments in the coming period. The Fund plans to place excess liquidity with shariah compliant FIs/Banks or GOP Ijara Sukuks.

Sukuk Holdings (% of Net Assets)

GoP Ijara - VII	58.12%
GoP Ijara - VIII	5.81%
GoP Ijara - IV	12.59%

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
Fund Type:	Open Ended
Benchmark:	6 Month KIBOR
Launch Date:	October 25, 2007
IGIFL Acquisition Date:	August 6, 2010
Par Value:	100
Pricing:	Forward Day
Sales Load:	1.00%
Risk Profile:	Low

Management Fee:	1.00%
Min. Initial Investment:	PkR 5,000/-
Min. Subseq. Investment:	PkR 1,000/-
Trustee:	CDC Pakistan Limited
Auditor:	E&Y, Ford Rhodes Sidat Hyder
Listing:	Karachi Stock Exchange
Dealing Days:	Monday - Friday
Cut-off Time:	9:00 am - 3:00 pm
Leverage:	Nil

Fund Statistics

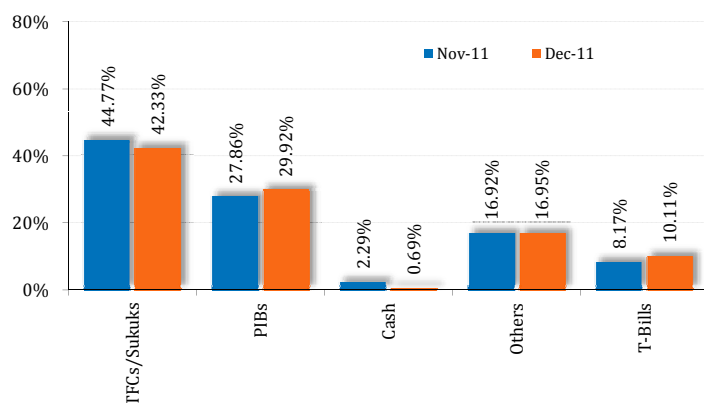
Fund Size (PkR mn):	661
NAV (PkR):	45.9907
Wtd. Average Maturity (months):	53.35
Standard Deviation:	0.2622
Sharpe Ratio:	-0.28
Information Ratio:	-0.29
Expense Ratio:	1.39%

Fund Performance

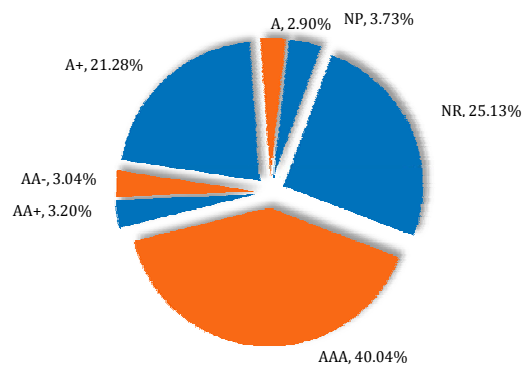
	IGI AIF	BM
YTD:	21.44%	12.79%
Month (Dec '11):	9.17%	11.98%
Since Acquisition:	0.33%	13.14%

- 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 maintained its strategy to opt out of risky and non performing corporate debt instruments and channeling the liquidity into Govt issued long term securities. Any downward shift in the Discount rate will earn decent returns given relatively high portfolio allocation in PIBs.

TFC/Sukuk Holdings (% of Net Assets)

Pak Mobile Communication - (28-Oct-08)	21.35%
Kohat Cement - (20-Dec-07)	8.20%
Vision Devp. Pvt - (30-Nov-08)	3.74%
Bank Al Habib IV - PPTFC	3.21%
Summit Bank Limited TFC	2.91%
Bank AlFalsh - (2-Dec-09) - Floater	2.28%
Bank AlFalsh - (2-Dec-09) - Fixed	0.78%

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
Pakistan Mobile Comm. Limited	Term Finance Certif.	141,142,008	0	141,142,008	21.28%	21.35%
Placement with SPLC	Certif. of Investment	125,000,000	(30,000,000)	95,000,000	14.32%	14.37%

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	YTD
IGI AIF	10.43%	12.01%	28.68%	51.50%	11.30%	9.17%							21.44%
BM	13.80%	13.37%	13.38%	12.28%	11.91%	11.98%							13.52%

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IGI Capital Protected Fund

Rated: Not Rated Yet

Investment Objective

An open-ended scheme designed to provide investors with exposure to attractive international commodities while ensuring that 100% principle is protected. The fund adopts an 80:20 mix of government securities and commodity contracts to provide capital gains over a two year period. All commodity contracts currently available on the Pakistan Mercantile Exchange can be traded by IGI Capital Protected Fund

Basic Fund Information

Category:	Capital Protected Fund	Management Fee:	1.75%
Fund Type:	Open End	Min. Initial Investment:	PkR 5,000/-
Benchmark:	80% 2-Yr TDR with AA- or above rated Banks + 20% PMEX Commodity Index Perform	Min. Subseq. Investment:	PkR 1,000/-
Launch Date:	October 5, 2011	Trustee:	CDC Pakistan Limited
Par Value:	100	Auditor:	E&Y, Ford Rhodes Sidat Hyder
Pricing:	Forward Day	Listing:	Lahore Stock Exchange
Sales Load:	2% Front-End; 5% Back-End	Dealing Days:	Monday - Friday
Risk Profile:	Low	Cut-off Time:	9:00 am - 10:30 am
		Investment Period:	Minimum 2-Yrs for Capital Protection

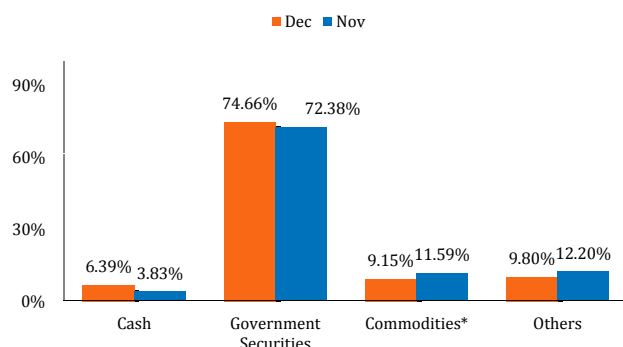
Fund Statistics

Fund Size (PkR mn):	268
NAV (PkR):	100.9415
Wtd. Average Maturity (months):	12.46
Expense Ratio:	2.62%

Fund Performance

	IGI CPF	BM
YTD:	0.94%	1.07%
Month (Dec '11):	-0.07%	-0.37%
Since Inception:	0.94%	1.07%

Asset Allocation (as % of Total Assets)



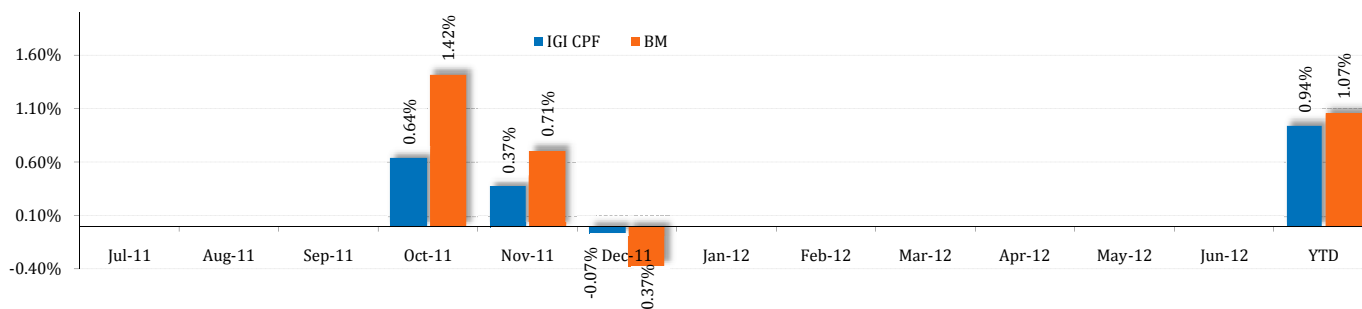
Portfolio Credit Quality



Fund Activity

In December, the Fund opted to maintain its focus on cash-settled futures of Gold and Crude Oil as the fundamentals were quite investment-supportive in the two commodities. The falling prices of precious yellow metal provided opportunities to accumulate at levels as low as below USD1,550 per Oz. The Fund capitalized the opportunity and raised its exposure in Gold. The maturing Crude Oil contracts for led to reduction in Fund's exposure in the Commodity. Going onwards, the Fund plans to trade actively to realize gains in Gold contracts as the apparent improvement economic health of US economy and rising concerns regarding Euro Zone debt crisis are likely to reduce investors interest in the metal. The positive news flow on US Crude Oil inventories and prevailing tension in the West and Iran are more likely to result in an upward rally in Crude prices. The Fund plans to diversify its positions to include Crude Oil contracts in a bid to benefit from expected bullish rally.

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



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