

# IGI Income Fund

Fund Manager's Report - August 2008

## Fund Facts

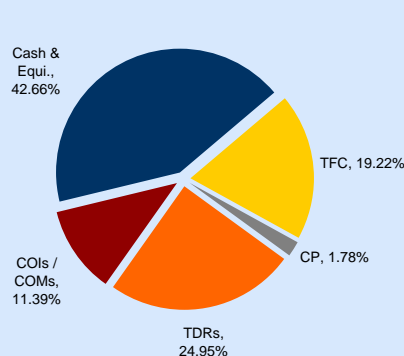
Management Company	IGI Funds Limited	Benchmark	1-month KIBOR
Fund Type	Open-end	Fund Size (Net Assets)	PKR 3,944 Million
Fund Lifespan	Perpetual	NAV per Unit	PKR 101.8633
Launch Date	April 14, 2007	Duration (months)	2.64
Dealing Frequency	Daily	Standard Deviation	1.26%
Capital Gains Tax	As per tax laws	Sharpe Ratio	(0.58)
Pricing	Forward Day	Information Ratio	(1.22)
Sales Load	Currently 0%	Return	12.25%
Asset Class	Fixed Income	Expense Ratio *	1.57%
Management Fee	1.25%		
Holding Period	None		
Minimum Initial Investment	PKR 5,000/-		
Minimum Subsequent Investment	PKR 1,000/-		
Trustee	CDC Pakistan Limited		
Auditor	KPMG, Taseer Hadi & Co.		
Listing	Lahore Stock Exchange		

\* Ratio of total expenses including management fee to the average annual net assets.

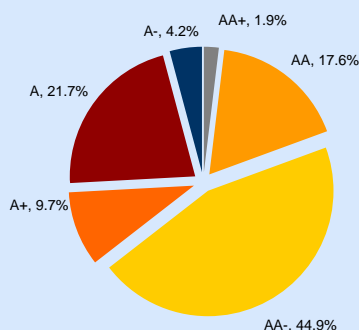
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using monthly returns for FY09 and Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

## Fund Position as at August 29, 2008

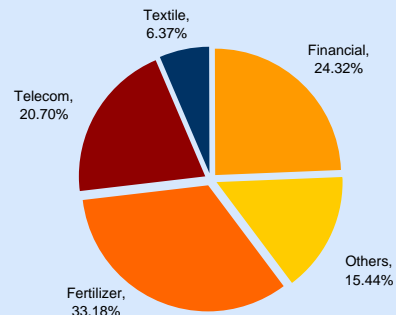
### Asset Allocation



### Credit Splits



### TFC Portfolio



**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 perform

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## 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.

## Investment Review - August 2008

### Environment

The macroeconomic environment remains challenging due to the current account deficit running at USD1.0 billion for the first month of FY09, fiscal deficit at 7.40% of GDP and an uncertain political environment preventing a focus on righting the economy.

On the bright side, recent data releases reveal robust revenue collection (PkR 140 bn collection during July - August 2008) and Foreign Direct Investment at US\$ 340 mn, an increase of 76% year-on-year. Inflation for the month of July (on YoY basis) stood at a whopping 24.30%.

1-Month and 6-Month KIBOR averaged 12.96% and 13.56%, respectively. CFS financing rate in the Mark II system averaged at 14.46% against previous month's average CFS rates of 15.04%. The government's PIB auction saw rates increase by approximately 100 basis points across the curve signaling a continued pressure on rates.

### Future Outlook

Pressure on rates is expected to build up for the month ahead. Activity in the debt market is likely to slow down during Ramadan but later rise as the holidays draw closer. Withdrawals for shopping are expected to get banks to cover from the interbank market to meet their daily reserve requirements. Furthermore, banks are expected to hoard money to increase their assets on the balance sheet for their quarter-end results. KIBOR is expected to shift upwards in absence of liquidity from the banking system, therefore placements are likely to yield higher rates.

With subsidies being lifted on petrol and now on electricity along with an increase in duties on imports, inflation is expected to remain on the higher side. The higher inflation is also likely to keep upward pressure on the interest rates.

CFS Mark II, is unlikely to exhibit major change due to limited activity expected in the market during the month of Ramadan.

### Fund Activity

In accordance with our strategy, the Fund sought placements at higher rates in short term maturities in absence of premiums on placements in longer tenors. Therefore, higher weightage was allocated to cash & equivalents, whereby various checking accounts were maintained allowing greater liquidity at higher rates.

Furthermore, the Fund rolled over maturities at likewise attractive rates.

### Fund Performance

For the month of August, the Fund yielded a return of 12.25%\* p.a. (against the benchmark's average of 12.96%).

The relatively higher benchmark was the product of an abnormal spike in the 2HFY08 due to liquidity crunch in the interbank market. The Fund is steadily narrowing the gap as maturities are redeployed at relatively higher rates.

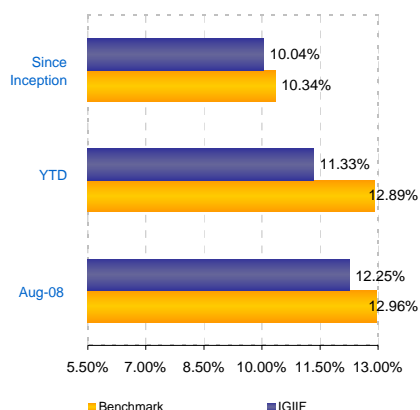
The weighted average duration of the portfolio fell to 2.64 months from 3.14, a month earlier. The low duration of the portfolio reflects the Fund's conservative stance and view on rates.

The Sharpe ratio and standard deviation of the Fund stood at -0.58 and 1.26%, respectively.

### Fund Strategy & Outlook

As its strategy, the Fund will position itself at the short end of the yield curve. We remain of the view that rates are to rise further due to inflationary pressures. The uncertain socio-economic conditions of the market prompts us to continue investments in short term liquid instruments. Therefore, we will only extend on the curve once we feel confident that rates have peaked.

### Returns Comparison



### Rolling Returns

	IGIIF	Benchmark	OP/UP *
1M	12.25%	12.96%	-0.71%
2M	11.33%	12.89%	-1.56%
3M	10.62%	12.85%	-2.23%
6M	10.24%	11.63%	-1.39%
9M	10.15%	11.07%	-0.92%
12M	10.05%	10.70%	-0.65%

\* OP = Out Performance and UP = Under Performance

### \*Calculation of the returns

The returns of the fund are calculated as per the MUFAP's standard methodology, Morning Star Model. The model referred (Ref: MUFAP/08-09/MEM01/04) was circulated through a letter on July 04, 2008.

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# IGI Stock Fund

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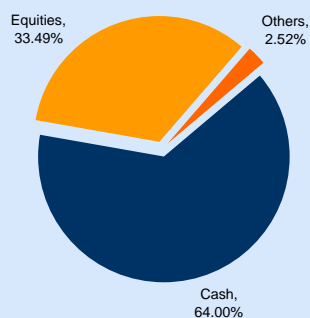
## Fund Facts

Management Company	IGI Funds Limited	Benchmark	KSE - 100
Fund Type	Open-end	Fund Size (Net Assets)	PKR 131 Million
Fund Lifespan	Perpetual	NAV per Unit	97.79
Launch Date	July 15, 2008	Beta	0.15
Dealing Frequency	Daily	Standard Deviation	1.96%
Capital Gains Tax	As per tax laws	Information Ratio	5.82
Pricing	Forward Day	Return Since Inception	-2.21%
Sales Load	2.50%	Return (MTD)	-1.85%
Asset Class	Equities		
Management Fee	2.00%		
Holding Period	None		
Minimum Initial Investment	PKR 5,000/-		
Minimum Subsequent Investment	PKR 1,000/-		
Trustee	CDC Pakistan Limited		
Auditor	KPMG, Taseer Hadi & Co.		
Listing	Lahore Stock Exchange		

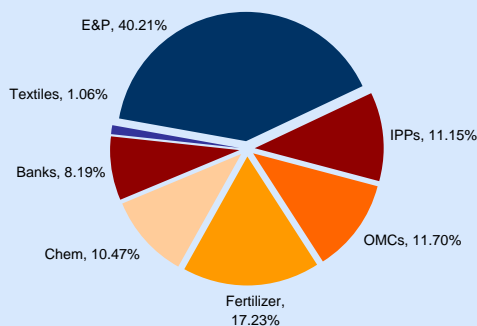
Note: Standard Deviation and Information Ratio have been calculated using daily returns

## Fund Position as at August 29, 2008

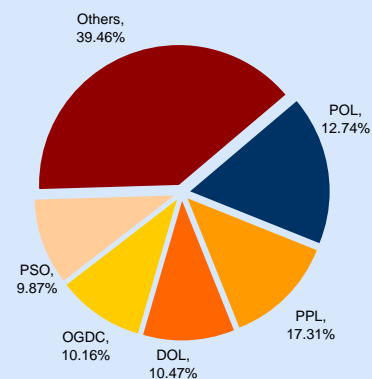
### Asset Allocation



### Sector Allocation\*



### Top Five Holding\*



\* Sector allocation and top five holdings are a percentage of total Equity holding

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## Investment Objective

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

## Investment Review - August 2008

### Environment

Political uncertainty, a troubling current account deficit and weakening currency dominated the macro environment during the month. This led to a continued exodus of foreign capital in the form of net outflow of USD53.2Mn from the Foreign Investors Portfolio Investment (FIPI).

Inflation remained high with CPI at 24.3%. Forex reserves declined by 11%, since Jun '08, to USD9.83Bn owing to the increased current account deficit, recorded at USD1Bn in the first month of the current fiscal.

The market suffered two significant shocks during the month. Firstly, the sudden resignation of Pervez Musharraf from the Presidency which created a short term euphoria as the market responded with a surge of 400 points. The former event was seen by the market participants as a step towards political stability. Secondly, the freezing of the KSE index at a level of 9,144.

The freezing of the market at prevailing levels occurred to arrest exponential broker margin depreciation. The floor is expected to last until the Presidential Elections on the 6th of September, as the presidential election and the imminence of Saudi oil facility are expected to provide support to the market.

### Future Outlook

We see the market remaining under pressure until the selection of a new President and positive news either in the form of an oil facility or other political / economic news. We see a slowdown in overall economic activity and expect most sectors to see a recession in growth. Nevertheless, we believe the prevailing market prices show that the market has already priced in a significant amount of the bad news.

### Fund Activity

The Fund exercised caution by investing in stocks of fundamentally strong companies. The overall equity allocation doubled from 17% last month to 33.5% in August. The fund diversified its exposure by placing investments in value adding sectors such as Banks and Chemicals. Furthermore, the fund increased existing exposure in selected scrips owing to their attractive levels.

### Fund Performance

Since its inception, the Fund outperformed its benchmark by registering a downside of only 2.21% as opposed to a significant fall of 15.98% in the latter. On a MoM basis, the fund declined by just 1.85% against the benchmark's fall of 13%.

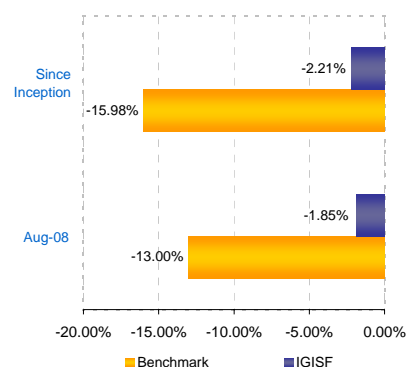
The outperformance was subject to the Fund's prudent investments. The Fund opted to keep our exposure in equities on the lower side with a view of further deterioration in index levels. The investment gained momentum once the market had depreciated significantly, limiting further downside. At prevalent levels, Fund's exposure cost is among the lowest in the market.

Despite the precarious market conditions, the Fund still enjoys a beta of 0.16 and an Information Ratio of 5.86x.

### Fund Strategy

Despite the attractiveness to invest at existing levels, the Fund will exercise caution. We expect the market to remain under pressure once the floor is removed as foreign investors may continue to seek exit from the market. Therefore, gradual increments in our exposure at receding index levels, with booking of capital gains when realized will be the forward strategy to beat the KSE-100 and provide a long term positive return to our investors.

### Returns Comparison



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