

## MARKET: ENVIRONMENT & OUTLOOK

### Economic and Money Market Overview & Outlook

The devastating flood, the biggest in country's history, has caused havoc in the country as estimates showing that more than 20mn people have lost their homes. This will shave off 1.5% - 2.0% from the governments previous GDP growth figure of 4.5%. The monsoon will also add to inflationary woes. Although the prices have eased a bit in July, 2010 as evident from CPI figure of 12.34% as against 12.69% for July, 2009, the worst may be yet to come. The FY10 fiscal operations data shows that the country has missed IMF's budget deficit target of 5.1% by 120bps. The data necessitates the expansion of tax revenue base as the current tax-to-GDP ratio of 9.8% seems too low for achieving the desired targets.

On the money market front, the unexpected hike in interest rates at the end of July led to spike in secondary market yields especially in trading of T-Bills. The 12M instrument was traded at levels as high as 12.70%. The SBP, once again, rejected the PIB auction on account of higher bids as the market. The long term paper was traded in the range of 13.25% - 13.75% levels during the month.

In August, in the corporate bonds market, banking sectors issue were the main volume contributors. Investors continue to assume Banking sector issues to be a safer investment. The instruments yielded returns in the vicinity of 14.50% - 15.50%. The risky or less sought for issues were traded on yields as high as above 20% during the month.

With the revised targets for economic growth and inflation, the year poses various challenges for economic managers. We expect higher overall taxes to be announced in addition to IMF demands of modified GST or VAT taxes. Higher inflation appears inevitable and the SBP is expected to respond with upward revision in discount rate which will eventually result in higher yields in the secondary market.

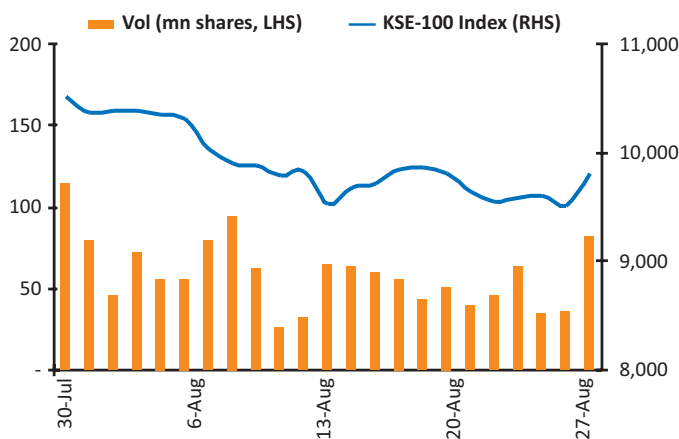
### Equity Market Overview & Outlook

The slower activity on the exchange during the month, as witnessed by average daily turnover of mere 56mn shares, was partly due to historical trend i.e. Ramadan effect. Other factors can include the investors' concern regarding economic growth prospects of the flood-hit country. After a sharp recovery of approx. 300 index points on the last day, the KSE-100 index closed the month with a loss of approx. 700 index points or 6.7% of value. The meeting between the SECP and brokers for discussing the outstanding issues pertaining to leverage product has helped to temporary boost the market. It is a general consensus that the introduction of leverage product will provide the much needed support to the market through improved volumes.

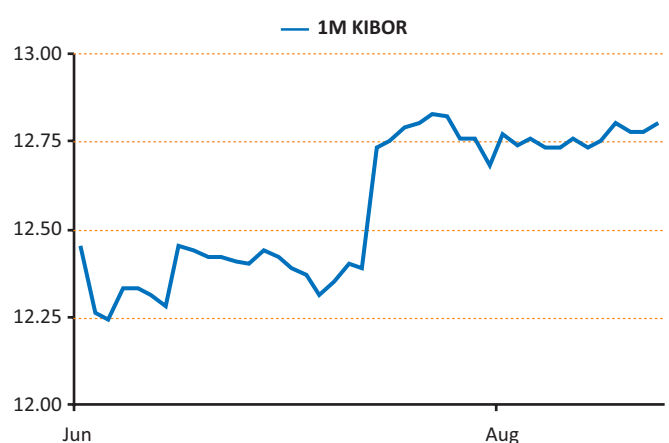
Throughout the month, the investors preferred to stay benched, offloaded their positions as and when market took a breather. The corporate result season is almost over as majority of index movers have announced their financial results. The result season also failed to create much investor enthusiasm as most of index heavy-weights posted below expectation results.

Trading activity is expected to remain slow as in absence of adequate policies and remedies for the flood affected economy. Any surge in the equity market even in response to leverage product will be short-lived. The situation can be reversed if the government turns its focus away from political issues and implements policies to cater to the upcoming economic challenges.

### KSE-100 Movement



### KIBOR Movement



### Members of Investment Committee

Chairperson	<b>Maheen Rahman</b>	<i>Chief Executive Officer (CEO)</i>
Member	<b>Syed Muhammad Zeeshan</b>	<i>Chief Financial Officer (CFO)</i>
Secretary	<b>Muddasir Ahmed Shaikh</b>	<i>Chief Investment Officer (CIO)</i>
Member	<b>Talib Wahab Shubaily</b>	<i>Portfolio Manager</i>
Member	<b>Syed Saifullah Kazmi</b>	<i>Portfolio Manager</i>

**Disclaimer:** All investments in Mutual Funds are subject to market risk. The NAV based prices of units & any dividends/returns thereon are dependant on factors affecting the financial markets. These may go up or 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](http://www.igifunds.com.pk) for detailed information prior to investment.

## Basic Fund Information

Asset Class	Fixed Income	Pricing	Forward Day
Fund Type	Open-end	Sales Load	Nil
Fund Lifespan	Perpetual	Management Fee	1.25%
Benchmark	1Month KIBOR	Min Initial Investment	PKR 5,000/-
Launch Date	April 14, 2007	Min Subsequent Investment	PKR 1,000/-
Dealing Frequency	Daily	Trustee	CDC Pakistan Limited
Capital Gains Tax	As per tax laws	Auditor	KPMG, Taseer Hadi & Co.
Par Value	PKR 100/-	Listing	Lahore Stock Exchange

## 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.

## Fund Statistics

	Jul-10	Aug-10
Fund Size (PKR in mn)	2,394	2,282
NAV (PKR)	101.1220	102.1592
Duration (Months)	3.62	3.55
Standard Deviation	0.01	0.01
Sharpe Ratio	(1.19)	(1.02)
Information Ratio	(1.42)	1.56
Expense Ratio**	1.77%	NA

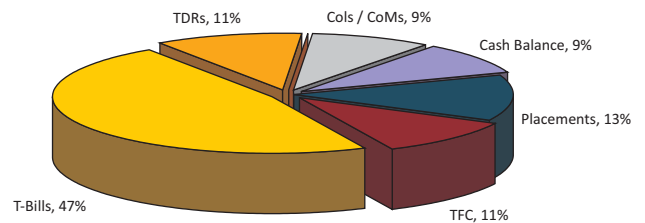
Standard Deviation, Sharpe and Information Ratios have been Calculated using Rolling Returns

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

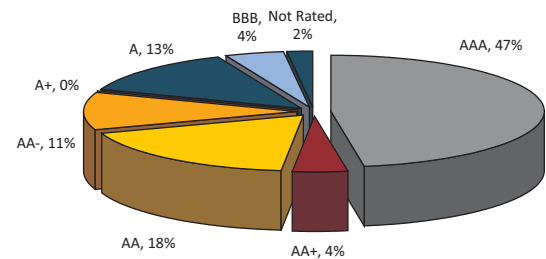
\* Asset Allocation and Credit Splits are based on total invested amount

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

## Asset Allocation



## Credit Splits



## Asset Allocation (%age of Assets)

	Jul-10	Aug-10
Cash & Equivalents	24%	9%
COI's/COM's	3%	9%
Term Finance Certificates	10%	11%
Treasury Bills	27%	47%
Pakistan Investment Bonds	0%	0%
Placement	3%	13%
Term Deposit Receipts	33%	11%

## Returns

	BM	IGI IF
Month to Date	12.76%	12.34%
Year to Date	12.57%	11.32%
Since Inception	11.70%	9.27%

## Fund Activity

During August, IGI IF utilized its Cash by increasing exposure into short term T-Bills (less than one month). Hence, T-Bill exposure was increased to 47% (Previously: 27%). Maturities from TDRs were also diverted into this avenue. To further bolster the NAV growth, aggressive short term Clean placements were taken at rates above par.

Going forward, the fund plans to maintain a significant exposure in short term T-Bills and continue with the aggressive Clean placements and reverse repo. The strategy will be revaluated after the MPS announcement at the end of next month.

## Rolling Returns: IGI IF vs. Benchmark

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	YTD
IGI IF	10.24%	12.37											11.32%
MB	12.76%	12.76											12.57%

## Details of Non Compliant Investment

Name of Non Compliant Investment	Type of Investment	Value of Investment before Provisioning	Provisioning half if any	Value of Investment after Provisioning	% of Gross Assets	% of Net Assets
Bunny Ltd	Term Finance Certificates	15,082,500.00	0	15,082,500.00	0.62%	0.62%
Pak Hy Oil Ltd	Term Finance Certificates	11,250,000.00	-5,250,000	6,000,000.00	0.26%	0.26%
Vision Developers Private Ltd	Term Finance Certificates	8,726,250.00	0	8,726,250.00	0.36%	0.36%

## Basic Fund Information

Asset Class	Equity	Pricing	Forward Day
Fund Type	Open-end	Sales Load	2.50%
Fund Lifespan	Perpetual	Management Fee	2.00%
Benchmark	KSE-100	Min Initial Investment	PKR 5,000/-
Launch Date	July 15, 2008	Min Subsequent Investment	PKR 1,000/-
Dealing Frequency	Daily	Trustee	CDC Pakistan Limited
Capital Gains Tax	As per tax laws	Auditor	KPMG, Taseer Hadi & Co.
Par Value	PKR 100/-	Listing	Lahore Stock Exchange

## 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, management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws.

## Fund Statistics

	Jul-10	Aug-10
Fund Size (PKR in mn)	471.93	383.76
NAV (PKR)	110.1240	105.4073
Beta	1.04	0.79
Standard Deviation	0.02	0.02
Information Ratio	0.13	0.13

## Asset Allocation (%age of Assets)

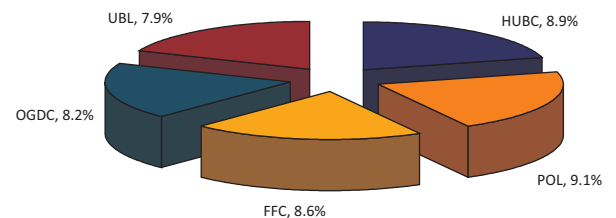
	Jul-10	Aug-10
Equities	98%	75.9%
Cash	2%	19.2%
Others	0%	4.9%

## Returns

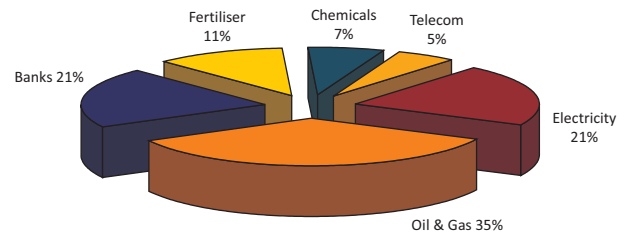
	BM	IGI SF
Month to Date	-6.71%	-4.28%
Year to Date	0.94%	4.29%
Since Inception	(10.46%)	30.21%

\*Top 5 Holdings and Sector Allocation are indicated as %age of total equity holding

## Top 5 Holdings\*



## Sector Allocation\*



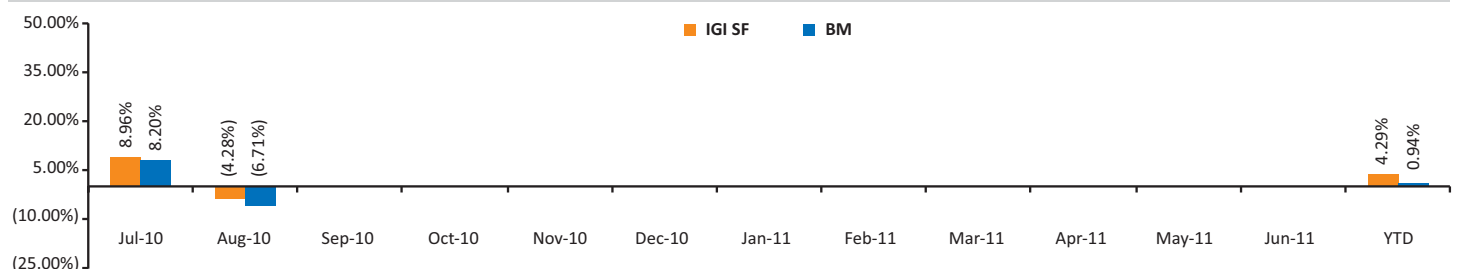
## Fund Activity

IGI SF ended the month with a fund size of PKR 384Mn, the fund outperformed the index by a significant margin, generating an MTD return of -4.28% (BM: -6.71%) and YTD return of 4.29% (BM:0.94%).

The Fund's cautious exposure in Equities (average daily exposure of 83%) was the leading factor in outperformance. The fund reduced its shares in key sectors, such as Oil & Gas, Commercial Banks and Electricity, as below market expectation results season drove down prices. Trading positions were taken to capitalise on short term recoveries in the index, which was evident in the Autos and Oil & Gas sector.

Going forward, the market is expected to oscillate heavily without any strong triggers. The development of the Leverage Product is the only aspect that can buoy the index in the short run. Hence, the investment strategy will involve a low exposure in Equities, bolstered by short term trading positions to capture any upticks that may occur.

## Rolling Returns: IGI SF vs. KSE-100





# IGI Islamic Income Fund

AMC Rated "AM3" by PACRA

Fund Manager: **Talib Wahab Shubaily**

## Basic Fund Information

Asset Class	Islamic Income	Pricing	Forward Day
Fund Type	Open-end	Sales Load	1.00%
Fund Lifespan	Perpetual	Management Fee	1.50%
Benchmark	Avg. of 6mth TDRs of 3 Islamic banks	Min Initial Investment	PKR 5,000/-
Launch Date	December 3, 2009	Min Subsequent Investment	PKR 1,000/-
Dealing Frequency	Daily	Trustee	CDC Pakistan Limited
Capital Gains Tax	As per tax laws	Auditor	KPMG, Taseer Hadi & Co.
Par value	PKR 100/-	Listing	Lahore Stock Exchange

## 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.

## Fund Statistics

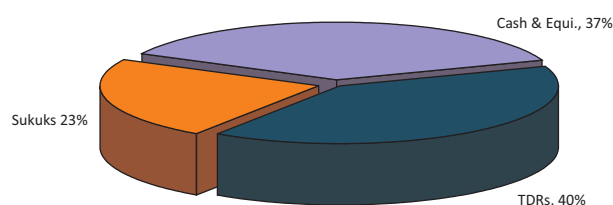
Jul-10 Aug-10

Fund Size (PKR in mn)	453	449
NAV (PKR)	100.8879	101.7725
Duration (Months)	6.90	6.25
Standard Deviation*	0.006	0.007
Information Ratio	1.43	1.56
Expense Ratio**	2.18%	NA

\*Standard Deviation, Sharpe and Information Ratios have been calculated using rolling returns.

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

## Asset Allocation

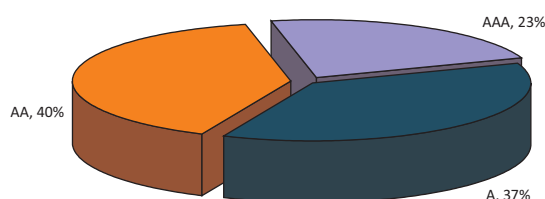


## Asset Allocation (%age of Assets)

Jul-10 Aug-10

Cash & Equivalents	37%	37%
Term Deposit Receipts	40%	40%
Sukuks	23%	23%

## Credit Splits



## Returns

BM IGI IIF

Month to Date	8.52%	10.47%
Year to Date	8.43%	9.89%
Since Inception	8.02%	9.36%

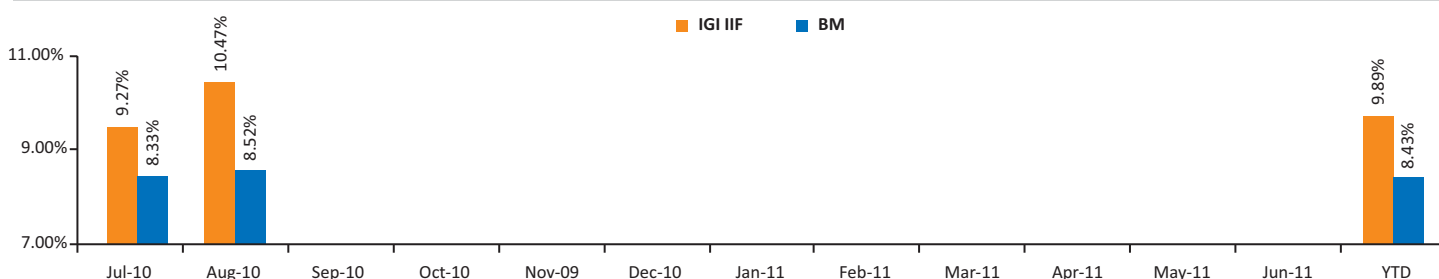
## Fund Activity

In August, the portfolio remained consistent with existing exposures in Islamic assets.

The outlook for interest rates remains on the higher side, therefore yields are expected to inch up. TDR rates remain unattractive hence the Fund focused acquiring the best rates available.

We remain committed to providing best possible return from available low risk Islamic instruments.

## Rolling Returns: IGI IIF vs. Benchmark





# IGI Money Market Fund

AMC Rated "AM3" by PACRA

Fund Manager: **Syed Saifullah Kazmi**

## Basic Fund Information

Asset Class	Money Market	Pricing	Forward Day
Fund Type	Open-end	Sales Load	Nil
Fund Lifespan	Perpetual	Management Fee	0.80%
Benchmark	Avg. of 3mth bank deposit rate (AA)	Min Initial Investment	PKR 5,000/-
Launch Date	May 27, 2010	Min Subsequent Investment	PKR 1,000/-
Dealing Frequency	Daily	Trustee	CDC Pakistan Limited
Capital Gains Tax	As per tax laws	Auditor	KPMG, Taseer Hadi & Co.
Par value	PKR 100/-	Listing	Lahore Stock Exchange

## Investment Objective

As 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.

## Fund Statistics

Jul-10 Aug-10

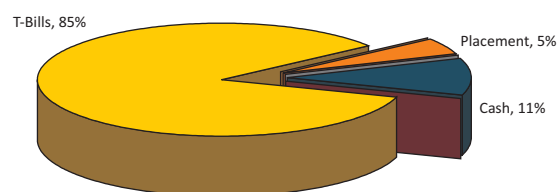
Fund Size (PKR in mn)	984	1,029
NAV (PKR)	100.9203	101.7726
Duration (Months)	1.27	0.30
Standard Deviation*	0.003	0.007
Sharp Ratio*	(2.79)	(2.03)
Information Ratio*	2.87	1.56
Expense Ratio**	1.62%	NA

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

\*\* Asset Allocation and Credit Splits are based on total invested amount

## Asset Allocation

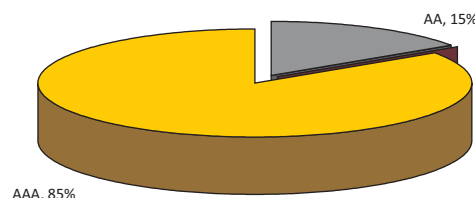


## Asset Allocation (%age of Assets)

Jul-10 Aug-10

Cash & Equivalents	26%	11%
COI's/COM's	-	0%
Treasury Bills	69%	85%
Pakistan Investment Bonds	-	0%
Placement	5%	5%
Term Deposit Receipts	-	0%

## Credit Splits



## Returns

BM IGI MMF

Month to Date	8.50%	10.07%
Year to Date	8.73%	10.70%
Since Inception	8.21%	10.89%

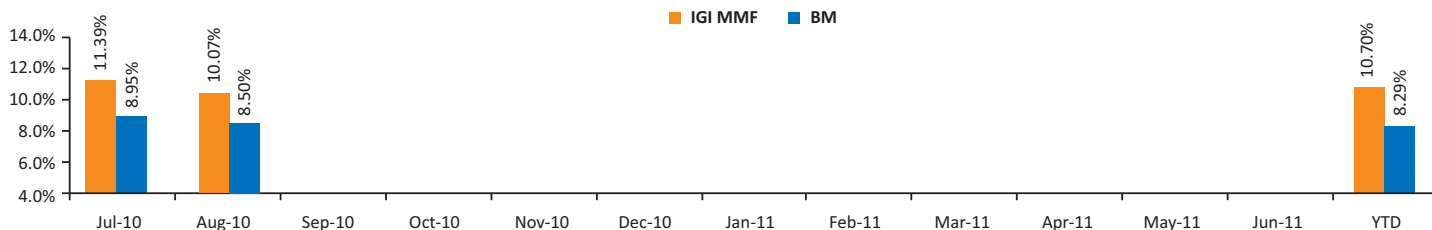
## Fund Activity & Strategy

IGI MMF closed the month with a fund size of PKR 1.03Bn, which is a 4.6% growth MoM. The fund generated an MTD return of 10.07% (BM:8.50%) and a YTD return of 10.70% (BM:8.73%).

IGI MMF maintained a very aggressive investment strategy during the month August. The fund utilized its Cash position and invested heavily into 1-2 week long T-Bills. This allowed the capture of high yields, without the associated volatility from revaluations. Furthermore, the fund was very active in Clean placements of up to a week long at high yields. This supported the NAV appreciation and outperformance over the BM.

Going forward, IGI MMF will maintain a strong position in the market. Exposure will be concentrated on short term Govt. Papers and Clean placements with a strong focus on T-Bills and reverse repos.

## Rolling Returns: IGI MMF vs. Benchmark





# IGI Aggressive Income Fund

AMC Rated  
"AM3" by PACRA

Fund Manager: **Talib Wahab Shubaily**

## Basic Fund Information

Asset Class	Aggressive Income Fund	Pricing	Forward Day
Fund Type	Open-end	Sales Load	1%
Fund Lifespan	Perpetual	Management Fee	2.00%
Benchmark	Avg. 3-mth KIBOR rate	Min Initial Investment	PkR 5,000/-
Original Launch Date	October 25, 2007	Min Subsequent Investment	PkR 1,000/-
IGIFL's Acquisition Date	August 6, 2010	Capital Gains Tax	As per tax laws
Dealing Frequency	Daily	Trustee	CDC Pakistan Limited
Par value	PKR 50/-	Auditor	A.F Fergusons & Co.
		Listing	Karachi Stock Exchange

## 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.

## Fund Statistics

Aug-10

Fund Size (PKR in mn)	759
NAV (PKR)	43.6539
Duration (Months)	4.41
Standard Deviation	NA
Sharp Ratio	NA
Information Ratio	NA
Expense Ratio*	2.47%

SD, SR & IR would be not available in the first month of operations with IGI Funds Limited.

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

## Asset Allocation (%age of Assets)

Aug-10

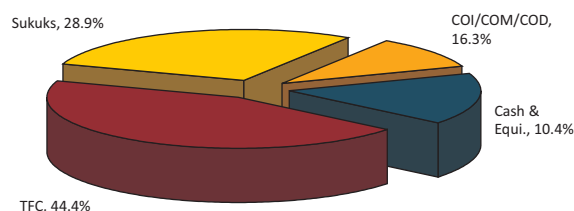
Cash & Equivalents	10%
COI's/COM's	16%
Sukuks	29%
Term Finance Certificates	44%
Placement	-
Term Deposit Receipts	-

## Returns

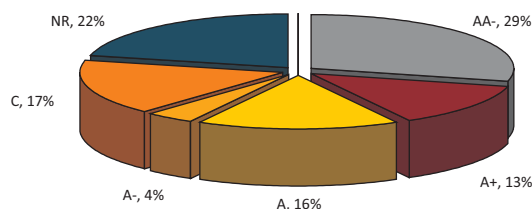
BM IGI MMF

Month to Date	12.70%	(50.04%)
Year to Date	12.70%	(50.04%)
Since Inception	12.70%	(50.04%)

## Asset Allocation



## Credit Splits



## Fund Activity & Strategy

IGI Funds Limited acquired the management rights of the Fund (formerly POBOP Advantage Plus Fund) during the period under review. The portfolio mainly comprises of corporate bonds (TFC and Sukuk issues) with an overall exposure of 73%.

The Fund is currently in restructuring phase with all efforts are focused towards generating liquidity over next six months by reducing exposure in current TFC and Sukuk issues and redirect to better and stronger issues, to improve the asset quality which can be redirected to high yielding avenues to improve NAV appreciation. Initially, provisioning were made as per IGIFL's provisioning policy. The proceeds from the offloading activity are planned to be redirected to a mix of high quality TFC issues and short term government securities.

Going forward, the Fund will continue to follow the devised strategy of redirecting the exposure from riskier bonds to high quality TFC issues and short term government papers.

## Rolling Returns: IGI AIF vs. Benchmark

