

Monthly Fund Review

December, 2010 Issue

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IGI Funds Limited
Rated "AM3+" by PACRA

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Economic & Capital Markets Review

Economic Review

During December, the state's request to extend on-going Stand-By Arrangement (SBA) was accepted by IMF, extending the facility till September, 2011. This allows policy makers a breather to implement key measures such as RGST, containment of electricity subsidies etc. in order to qualify for remaining two tranches of USD1.7bn each. A fiscal deficit of 4.7% being targeted by the GoP and IMF appears unrealistic given the government's inability to generate additional income. The full implementation of RGST seems unlikely in the medium term, significantly stemming the state's ability to generate revenue. The gradual phase out of subsidy on electricity tariffs will provide some room, but it will not curtail the deficit to target level. In 1QFY11, the fiscal deficit has already touched 1.6% of GDP, hinting that the full year figure will be higher than the target. Inflation still remains a cause for concern, as rising commodity prices are only indicative of a higher rate, MoM.

On the positive side, the country experienced some relief as the current account posted surplus for three consecutive months, contracting the overall deficit in 5MFY11 by approx. 72% YoY to 0.7% of GDP (5MFY10: 2.5% of GDP). The improvement was driven mainly by foreign remittances, which improved by 16% YoY. Although the overall performance is far better than the initial estimate with import cover of more than 5 months, risks to Balance of Payment stability still remains from international prices.

Looking ahead, the economy is expected to weather an uncertain climate. Damages from flood hit areas are in need of rehabilitation and fiscal deficit remains unabated. Continued flows from foreign investors and remittance will help in stabilizing the economy, but are not a comprehensive fix.

Money Market Review

Banks offered high rates during December on the back of year-end deposit seeking activity. Rates were as high as 14% for tenors as short as three (3) months. Lenders preferred to stay on the shorter end of the yield curve in anticipation of possible interest rate hike in the 1QCY11 MPS announcements. Banks continued to offer high rates even as liquidity improved towards the end of the month. Subsequently, secondary market yields of treasury bonds remained under pressure with trading activity witnessed below the auction cutoffs. The auctions followed the historical trend of a steady rise in cut off yields. The federal government has borrowed a total of PKR 89 billion in two auctions which is PKR 9 billion higher than the set target of PKR 80 billion. In the corporate bond market, volumes witnessed improvement with bulk of the activity in Commercial Bank issues. The average yield to maturity of the traded TFCs remained in the range of 15% - 16.50%.

Looking ahead, market rates will continue to ascend in anticipation of a hike in DR. Short Term T-Bills will likely attract the most attention as investors would not want to be tied down for long periods. TFCs volume is expected to show an increasing trend as investors select the asset class on account of attractive yields.

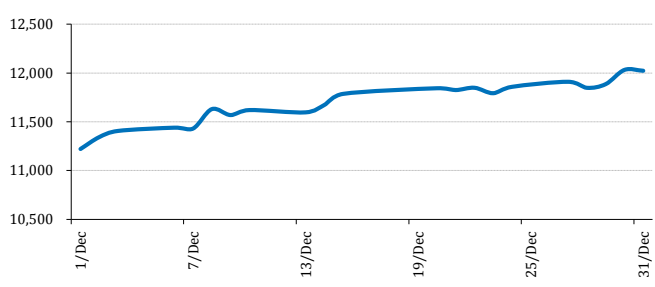
Equity Market Review

December proved to be a month of joy for equity investors. The KSE -100 index experienced healthy trading activity as the average daily trading volume rose to 139mn shares against an average of 82mn shares in 5MFY11. The index appreciated by 7.01% or 787 points to breach the 12,000 index level. The upward rally was largely supported by the foreign investor community which invested USD73mn during the month under review.

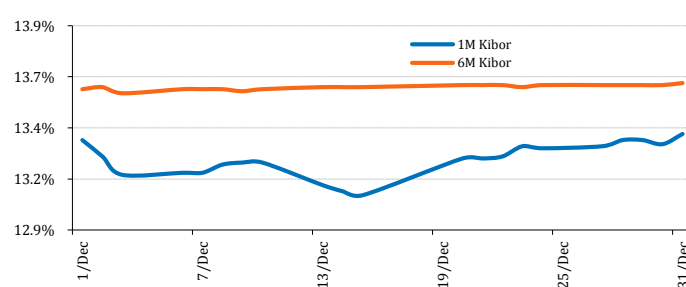
On HY basis, the index posted a return of approx. 24% with low volumes. Throughout the period, foreign buying remained the main driving force with a participation of approx. USD246mn. The improvement in global liquidity situation and valuation discount compared to regional peers was sighted to be the major rationale for such a strong positive stance.

Going forward, the peak level has yet to be identified. We expect range bound trading in upcoming sessions, which will earmark the consolidation phase for the market. The main triggers for the index are the New Year result season, continued foreign interest and relatively cheaper valuations, which will generate another bull-rally pushing the index to beyond the 13,000 mark.

KSE-100 Index Movement



KIBOR Movement



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	Syed Saifullah Kazmi, Portfolio Manager

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 (IGIF) 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
Fund Type: Open Ended
Benchmark: 6 Month KIBOR
Launch Date: April 14, 2007
Par Value: 100
Pricing: Forward Day
Sales Load: Nil
Risk Profile: Low
Leverage: Nil

Management Fee: 1.25%
Min. Initial Investment: Pkr 5,000/-
Min. Subseq. Investment: Pkr 1,000/-
Trustee: CDC Pakistan Limited
Auditor: KPMG, Taseer Hadi & Co.
Listing: Lahore Stock Exchange
Dealing Days: Monday - Friday
Cut-off Time: 9:00 am - 3:00 pm

Fund Statistics

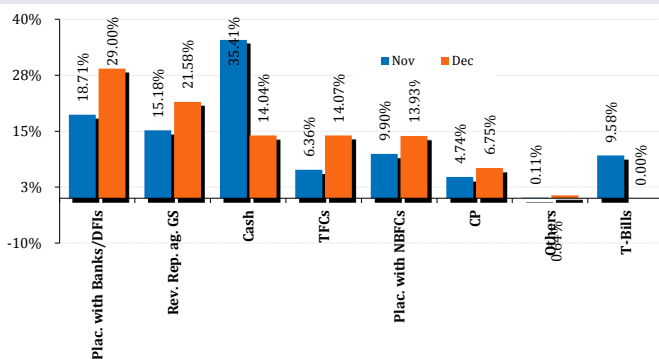
Fund Size (Pkr mn): 1,427
NAV (Pkr): 100.8405
Wtd. Average Time to Maturity (months): 12.10
Standard Deviation: 0.0091
Sharpe Ratio: -0.80
Information Ratio: -1.18
Expense Ratio: 0.91%

Fund Performance

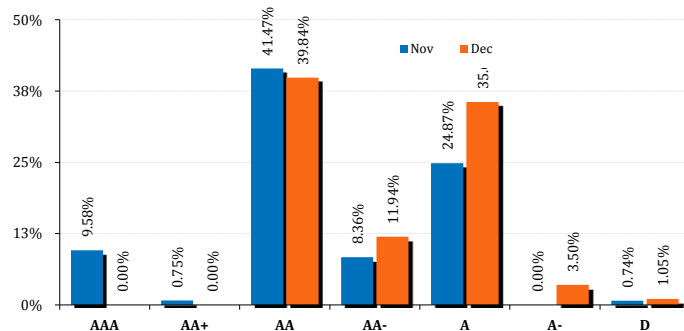
	IGI IF	BM
Month (Dec '10):	10.93%	13.60%
YTD (Jul '10 - Dec '10):	11.35%	13.04%
Since Inception:	9.45%	11.84%

- 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.
 - Fund returns calculated using Morning Star Model

Asset Allocation (as % of Total Assets)



Portfolio Credit Quality



Fund Activity

The Fund locked in higher accruals in Banks' Dec-end rally for higher deposits. The exposures to placements with DFIs and Government securities were redirected towards high yielding TDRs. The exposure in TFCs was also enhanced owing to attractive YTM.

In December, the Fund announced its 2nd interim payout of Pkr2.1246 per unit for income unit holders and 2.1086 units per 100 units for growth unit holders.

Going forward, the Fund plans to enhance yield through reallocation in to Government Securities and selected TFCs, while keeping overall liquidity at comfortable levels.

TFC Holdings (% of Net Assets)

Faysal Bank Limited - (11-Oct-10)	5.22%
Bank Alfalah Limited - (2-Dec-09) - Fixed	5.12%
Askari Bank Limited - (18-Nov-09)	1.76%
Bunnys Limited - (13-Nov-08)	1.05%
Vision Dev. (Pvt) Limited - (30-Nov-08)	0.61%
Pak Hy Oils Limited - (31-Dec-08)	0.31%

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.	15,082,500	0	15,082,500	1.05%	1.06%
Pak Hy Oils Limited	Term Finance Certif.	11,250,000	(6,783,341)	4,466,659	0.31%	0.31%
Vision Dev. (Pvt) Limited	Term Finance Certif.	8,726,250	0	8,726,250	0.61%	0.61%
BRR Guardian Modaraba	Certif. of Musharaka	11,697,874	0	11,697,874	0.81%	0.82%

FY11 Rolling Returns

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	YTD
IGI IF	10.24%	12.37%	12.82%	9.97%	11.71%	10.93%							11.35%
BM	12.37%	12.83%	12.92%	13.21%	13.29%	13.60%							13.04%

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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		

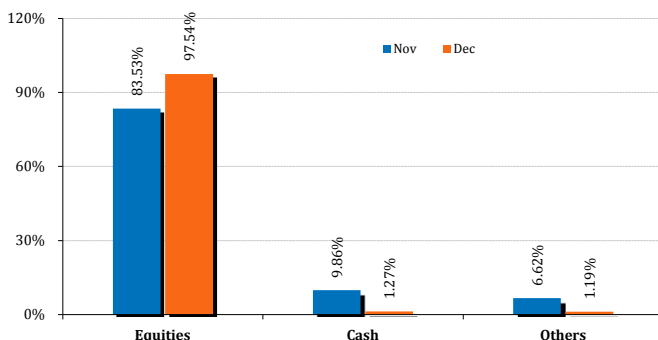
Fund Statistics

Fund Size (PkR mn):	282
NAV (PkR):	121.2390
Standard Deviation:	0.011
Information Ratio:	0.107
Beta:	1.07

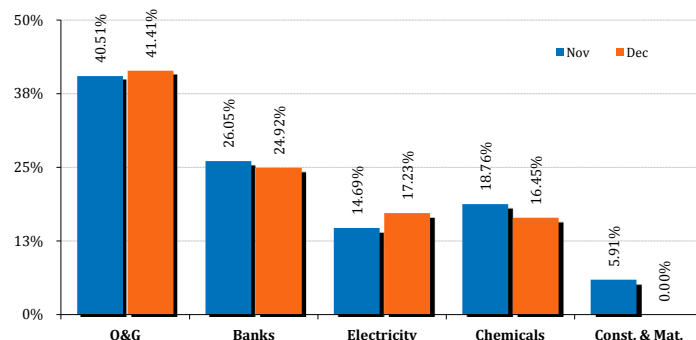
Fund Performance

	IGI SF	BM
Month (Dec '10):	7.00%	7.01%
YTD (Jul '10 - Dec '10):	19.96%	23.66%
Since Inception:	101.01%	9.70%

Asset Allocation (as % of Total Assets)



Asset Allocation (Sector wise)



Fund Activity

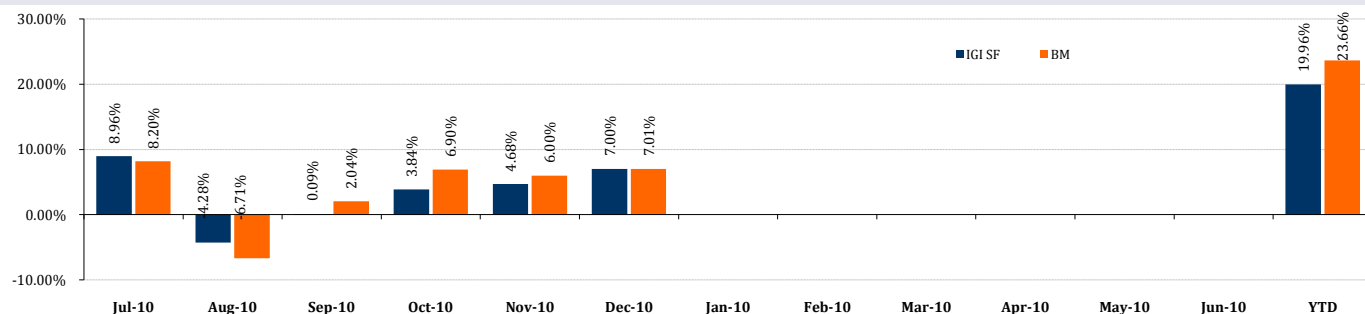
The Fund capitalized on the bull-run in equities and maintained high presence in key stocks. The allocation to equities remained on the higher side with approx. 99% exposure (as % of net assets). The strong reliance on index heavy-weights as well as scrips trading at cheaper valuations resulted in improvement in MoM performance of the Fund.

Going forward, the Fund plans to maintain its presence in equities at existing levels with a view that the equities will continue to rally upward on the back of cheap valuations and strong foreign interest intact.

Top 10 Equity Holdings (% of Net Assets)

	Nov	Dec
Oil & Gas Dev.	10.85%	9.30%
Pak State Oil	7.23%	9.07%
MCB Bank	10.37%	9.05%
UBL Bank	11.49%	9.00%
Hub Power	11.68%	8.91%
Pak Oilfields	10.78%	8.91%
Pak Petroleum	10.43%	8.75%
Fuji Fertilizer	11.35%	8.44%
Nishat Power	5.22%	8.12%
ENGRO Corp	10.23%	7.82%

FY11 Rolling Returns



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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:	Nil	Dealing Days:	Monday - Friday
Risk Profile:	Low	Cut-off Time:	9:00 am - 3:00 pm
Leverage:	Nil		

Fund Statistics

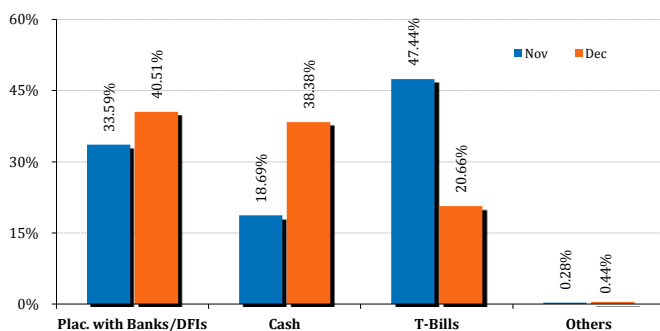
Fund Size (PkR mn):	1,217
NAV (PkR):	100.6136
Wtd. Average Maturity (months):	1.06
Standard Deviation:	0.0653
Sharpe Ratio:	-0.24
Information Ratio:	0.36
Expense Ratio:	1.13%

Fund Performance

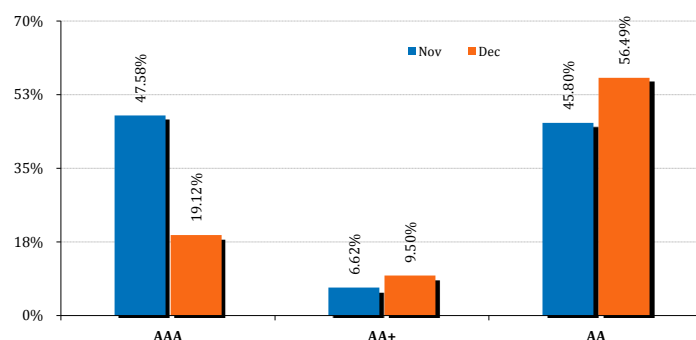
	IGI MMF	BM
Month (Dec '10):	12.05%	9.68%
YTD (Jul '10 - Dec '10):	11.35%	8.75%
Since Inception:	11.22%	8.53%

- 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.
 - Fund returns calculated using Morning Star Model

Asset Allocation (as % of Total Assets)



Portfolio Credit Quality

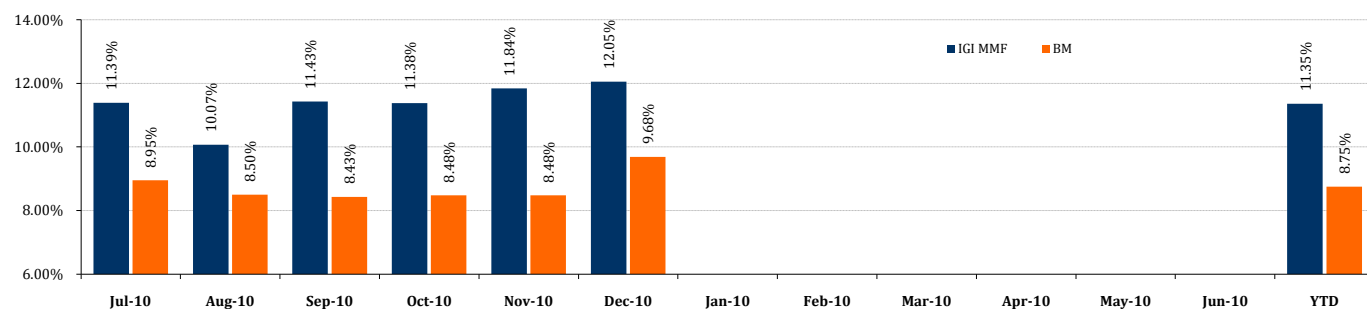


Fund Activity

During the month of December, IGI MMF posted a MTD return of 12.05% (BM: 9.68%) and YTD return of 11.35% (BM: 8.75%). The outperformance was attributed to aggressive trading in T-Bills in the secondary market. The shorter tenure paper attracted the most attention from investors and cut off yields grew steadily in subsequent auctions. In addition, the Fund has allocated a portion of its portfolio in attractively priced TDRs which lent stability to the NAV in times of increasing T-Bills volatility. The bottomline was further supported with money market placements when the prevailing yields were at their peak.

In December, the Fund announced its 2nd interim payout of PkR 2.5176 per unit for income unit holders and 2.5046 units per 100 units for growth unit holders. Looking ahead, the Fund is expecting significant inflows as investors return for the New Year. The strategy, going forward, is to continue to focus on T-Bills in the shorter tenor.

FY11 Rolling Returns



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IGI Islamic Income Fund

Rating: Not Rated

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

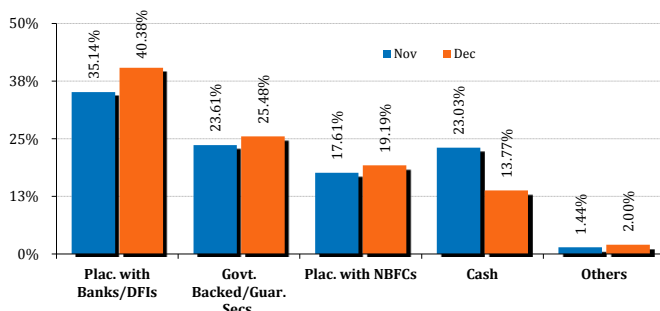
Fund Size (Pkr mn):	402
NAV (Pkr):	100.5895
Wtd. Average Maturity (months):	5.76
Standard Deviation:	0.0060
Information Ratio:	0.22
Expense Ratio:	1.85%

Fund Performance

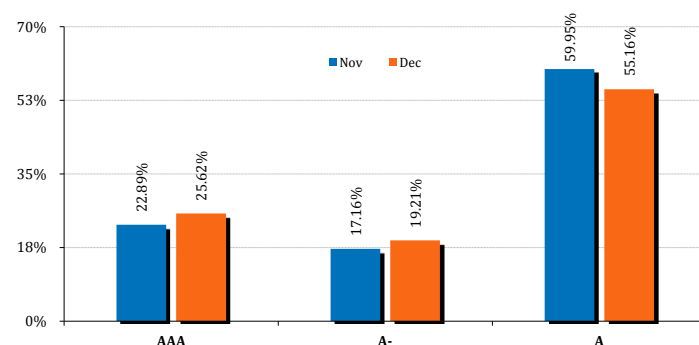
	IGI IIF	BM
Month (Dec '10):	9.81%	8.61%
YTD (Jul '10 - Dec '10):	9.81%	8.52%
Since Inception:	9.49%	8.18%

- 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.
 - Fund returns calculated using Morning Star Model

Asset Allocation (as % of Total Assets)



Portfolio Credit Quality



Fund Activity

The December-end rally for deposits provided attractive placement opportunities to the Fund. The Fund increased its exposure in Bank Placements utilizing the additional cash balance. The Government Backed securities portfolio was maintained at similar level and any change in exposure resulted from change in net assets.

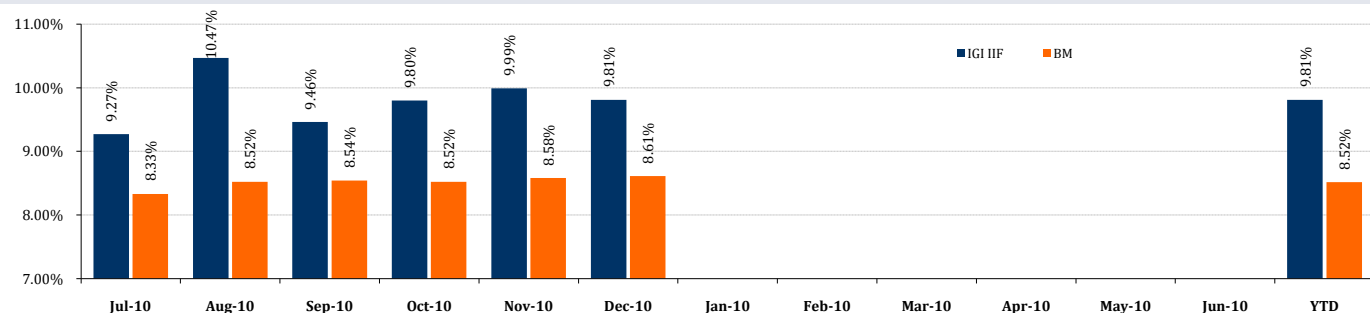
In December, the Fund announced its 2nd interim payout of Pkr2.0711 per unit for income unit holders and 2.0606 units per 100 units for growth unit holders.

Going forward, the Fund plans to focus in higher yields by redirecting the maturity proceeds towards higher yielding assets including GoP Ijara Sukuks or equivalent yielding shariah-compliant money market placements.

Sukuk Holdings (% of Net Assets)

GoP Ijara - IV	24.86%
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FY11 Rolling Returns



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IGI Aggressive Income Fund

Rating: Not Rated

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.

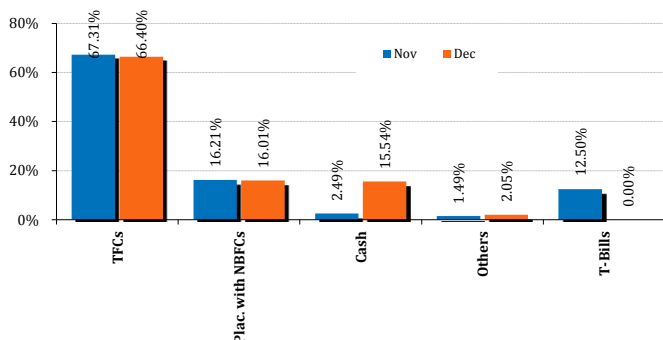
Basic Fund Information

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:	Nil	Cut-off Time:	9:00 am - 3:00 pm
Risk Profile:	Low	Leverage:	Nil

Fund Statistics

Fund Size (PkR mn):	757
NAV (PkR):	43.5527
Wtd. Average Maturity (months):	30.93
Standard Deviation:	0.0774
Sharpe Ratio:	-0.90
Information Ratio:	-0.92
Expense Ratio:	2.56%

Asset Allocation (as % of Total Assets)

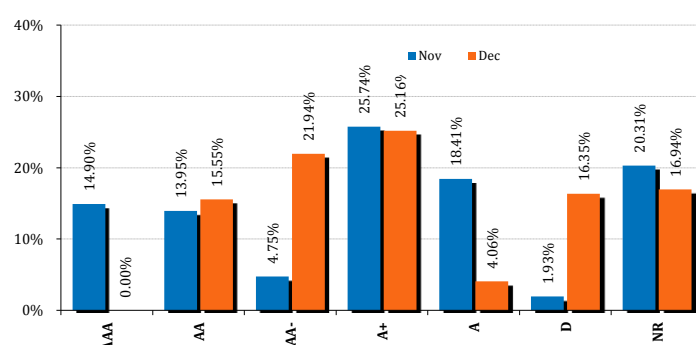


Fund Performance

	IGI AIF	BM
Month (Dec '10):	7.74%	13.60%
YTD (Jul '10 - Dec '10):	-15.12%	13.04%
Since Acquisition:	-11.64%	12.94%

- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns
 - Sharpe Ratio has been calculated against average 3-month T-Billyield.
 - Expense Ratio is Ratio of total expenses including management fee to the average annual net assets.
 - Fund returns calculated using Morning Star Model

Portfolio Credit Quality



Fund Activity

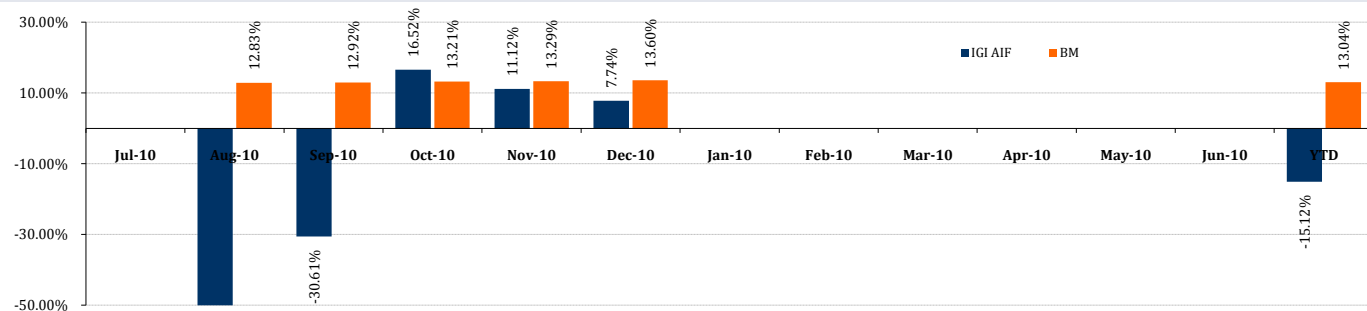
The Government Securities; T-Bills, holdings matured during the month under review. No activity was witnessed on the investments front owing to lower interest in troubled TFCs side despite higher YTM's. The Fund also initiated provisioning on some of its holdings which also resulted in lower MoM returns.

Going forward, the Fund plans to maintain its strategy of focusing on improvement of credit quality of the portfolio by offloading some of its existing holdings and redirecting the proceeds towards either highly rated TFCs, Government Securities or a mix of both.

Sukuk Holdings (% of Net Assets)

Pak Mobile Communication - (28-Oct-08)	21.61%
Kohat Cement - (20-Dec-07)	9.88%
UBL Bank - (14-Feb-08)	9.16%
AgriTech Limited - (30-Nov-07)	6.65%
WorldCall Telecom - (07-Oct-08)	5.63%
Bank AlFalah - (2-Dec-09) - Floater	4.00%
B.R.R Gardian Modarba - (07-Jul-08)	3.12%
Azgard Nine - (04-Dec-07)	3.03%
Vision Devp. Pvt - (30-Nov-08)	2.97%
Pak Hy - Oils - (31-Dec-08)	0.73%

FY11 Rolling Returns



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