

Monthly Fund Review

February, 2011 Issue



<i>Contents</i>	<i>Page</i>
Economic & Capital Markets Review	1
Fund Reviews	
IGI Income Fund	2
IGI Stock Fund	3
IGI Money Market Fund	4
IGI Islamic Income Fund	5
IGI Aggressive Income Fund	6



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

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 for detailed information prior to investment.

Economic & Capital Markets Review

Economic Review

CPI inflation eased to 14.19%YoY in Jan'11 vs. an estimated figure of 14.75%. The decline was partly due to non pass through of higher petroleum product prices. While the SBP has raised its FY11 CPI forecast to 15%-16%, going forward, we expect CPI to exceed 14.5%YoY. Exports and imports have grown by 23%YoY and 17%YoY to USD 13.4Bn and USD 22.6Bn, respectively, in 7MFY11. To confirm this improvement, the 7MFY11 Current Account Deficit is a marginal USD 81Mn vs. a deficit of USD 3.0Bn YoY. In this regard, support emerged from Coalition Support Funds and strong remittances, (up 18%YoY to USD 6.1Bn in 7MFY11). FBR tax collection at PKR 770Bn in 7MFY11, although up 11%YoY, is unlikely to achieve the target. Consultation with IMF to reduce the target to PKR1.6Tn are in process. Below target revenue collection may lead to the fiscal deficit exceeding 5% of GDP in FY11.

The monetary tightening process could resume in the next monetary policy (end Mar'11) as inflation may head north in the near-term (higher petroleum product prices and potential government borrowing). Money market is expected to concentrate at the lower end of the yield curve in upcoming T-bill auctions. While the Current Account has depicted stability of late, it is vulnerable to rising international oil prices and potential volatility in remittances. That said, recently announced deferred payments package offered by Kuwait (USD 2Bn as per news reports) may provide some respite, thereby leading to currency stability in the near-term.

Money Market Review

During February, the money market remained tight due to net outflow of PKR 81Bn. While the T-Bill auctions targets were ~PKR 100Bn higher than maturity (plus PIB auction of PKR 22Bn), the market was buoyed by SBP injections. Feb'11 gross injection was ~PKR 69Bn, concentrating around the T-Bill auction settlement date. The auctions yet again saw focus in the 3-M tenor. Market yields had adjusted upwards by 15-40bp in anticipation of a rate hike during January led by the 3-M T-bill. Hence February saw 3M T-Bill yields decline by ~18bp to 13.49% as yields were lowered during the T-Bill auction as well. However the yields on 6M and 12M T-Bill remained almost flat at 13.61% and 13.86% respectively.

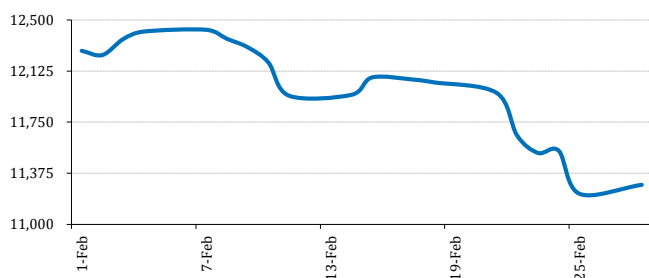
Yields in the secondary market remained stable for most part as the SBP did not raise the discount rate during January monetary policy announcement. Three factors have kept SBP from raising rates: 1) decline in SBP borrowing, 2) improvement in external account, and 3) optimism on fiscal position in 2HFY11. However, the SBP remains cognizant of risks to macro landscape – currency, FOREX reserves and inflationary expectations – which would warrant higher interest rates and hence hurt private sector further.

Equity Market Review

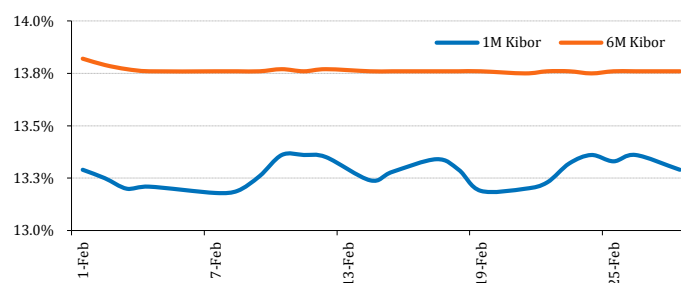
8.7% MoM decline for KSE-100 is the worst Feb showing in last 20 years and is only the 6th negative MoM Feb reading since 1992. Feb'11 inflows for KSE were positive at USD 5.5Mn (-91% MoM) but at their lowest since Dec'09. Underperformance vs. region in Feb means KSE is among the region's YTD laggards now (-6% YTD). Individual stock interest fizzled out post announcement as payouts again upstaged earnings in driving investor interest. In addition, tense Pak-US relations over diplomatic immunity of Raymond Davis concerned investors over potential follow through impact on sovereign flows. On the regulatory front, the finer details of both leverage product (MTS) and capital gains tax (CGT) remained elusive resulting in an uncertainty regarding their impact on the market going forward. Political noise continued with a 45-day deadline for reforms given by PML (N) to PPP coming to a close, when PML-N would remove PPP from Punjab coalition. However the effect of such a bold move is likely to unfold at a leisurely pace. From KSE's vantage point, talks with IMF's are more crucial, which have been delayed.

Going forward, the equity valuations remain very attractive on fundamentals. The market will see a divergence towards certain sectors. Growth stocks will be preferred as they provide a hedge against short term volatility. Foreign flows will dictate the strength and direction of the index. Continued increase in commodity prices will bolster sectors, such as Oil, while lower volumes may be witnessed in the Financial sector that have remained underperformers.

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

Fund Statistics

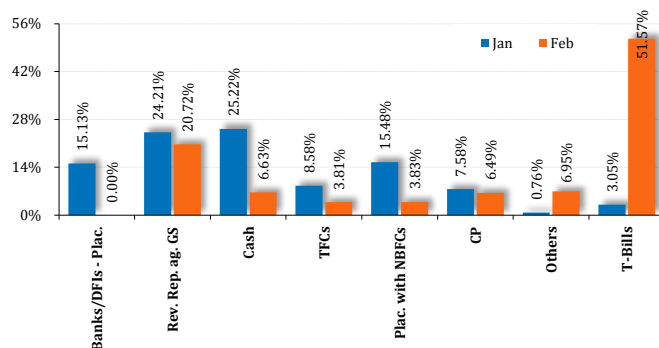
Fund Size (PkR mn):	1,508
NAV (PkR):	102.4415
Wtd. Average Time to Maturity (months):	6.93
Standard Deviation:	0.0085
Sharpe Ratio:	-1.20
Information Ratio:	-1.57
Expense Ratio:	1.03%

Fund Performance

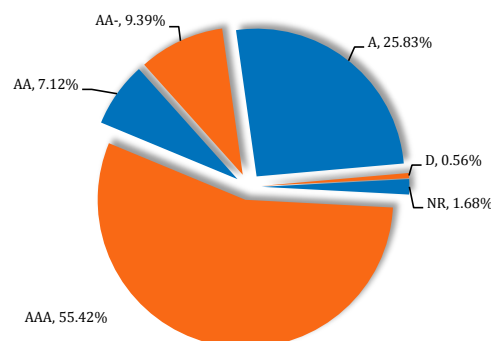
	IGI IF	BM
YTD (Jul '10 - Feb '11):	10.88%	13.22%
Month (Feb '11):	9.81%	13.76%
Since Inception:	9.49%	11.92%

- 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

In February, the revaluation volatility remained higher in the Corporate Bonds holdings which compelled the Fund to reduce its exposure in the avenue. The yields were favorable on T-Bills in the secondary market as compared to placement with Banks/DFIs.

The Fund's placements with Banks/DFIs were set to mature during the month under review. The maturity proceeds and excess cash were redirected towards T-Bills. The step was aimed at locking in higher yields offered by the instruments.

TFC Holdings (% of Net Assets)

Bank Alfalah Limited - (2-Dec-09) - Fixed	2.28%
Bunnys Limited - (13-Nov-08)	1.00%
Vision Dev. (Pvt) Limited - (30-Nov-08)	0.58%

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	1.05%	1.00%
Pak Hy Oils Limited	Term Finance Certif.	15,000,000	(15,000,000)	0	0.00%	0.00%
Vision Dev. (Pvt) Limited	Term Finance Certif.	11,635,000	(2,908,750)	8,726,250	0.61%	0.58%
BRR Guardian Modaraba	Certif. of Musharaka	7,886,882	0	7,886,882	0.55%	0.52%

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%	9.76%	9.81%					10.88%
BM	12.37%	12.83%	12.92%	13.21%	13.29%	13.60%	13.74%	13.76%					13.22%

- 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		

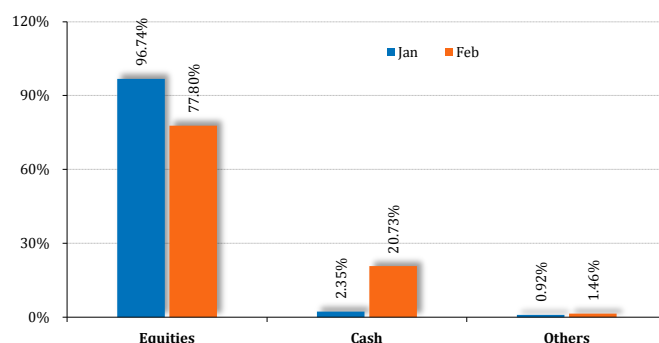
Fund Statistics

Fund Size (PkR mn):	309
NAV (PkR):	119.7403
Standard Deviation:	0.109
Information Ratio:	0.011
Beta:	1.02

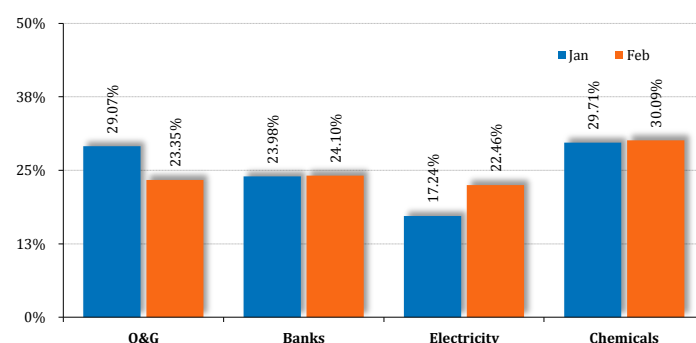
Fund Performance

	IGI SF	BM
YTD (Jul '10 - Feb '11):	18.47%	16.12%
Month (Feb '11):	-5.21%	-8.66%
Since Inception:	98.52%	3.01%

Asset Allocation (as % of Total Assets)



Asset Allocation (Sector wise)



Fund Activity

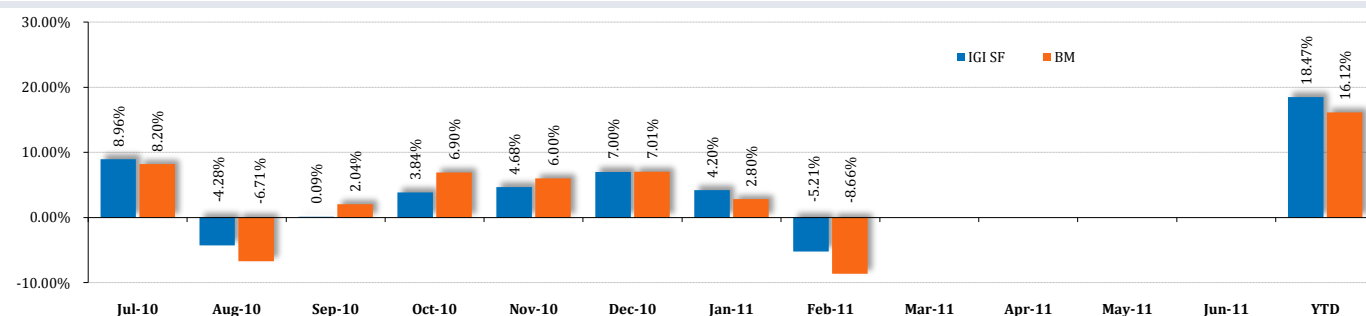
The Fund realized gains during the month reducing its overall equity exposure to approximately 78% of net assets. The major activity took place in Oil & Gas, Electricity and Banks sectors. Based on lower potential upside, evident from higher forward trading multiples, the Fund shed its exposure significantly. In Electricity sector, IGI SF took some fresh exposure based on strong financial results and attractive fundamentals.

Going forward, the Fund plans to maintain high exposure in equities as current significant correction of approx. 8% has created attractive fundamentals.

Top 10 Equity Holdings (% of Net Assets)

	Jan	Feb
Hub Power	10.08%	9.72%
Engro Corp.	10.09%	9.57%
Pak Oilfields	9.87%	9.19%
Fauji Fertilizer	9.98%	9.19%
United Bank	8.98%	9.10%
Pak Petroleum	9.90%	9.08%
Kot Addu Power	0.00%	8.79%
ICI Pakistan	5.36%	6.03%
National Bank	5.88%	5.85%
MCB Bank	8.88%	4.91%

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 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

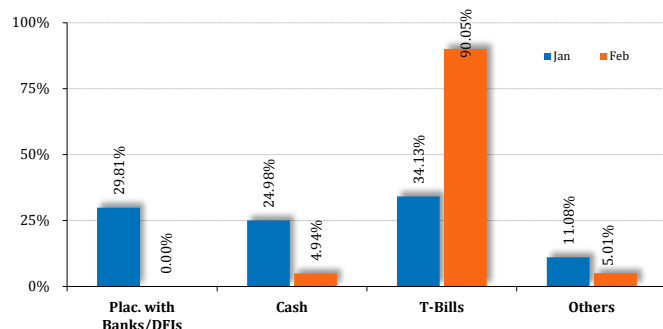
Fund Size (PkR mn):	2,002
NAV (PkR):	102.5163
Wtd. Average Maturity (months):	1.50
Standard Deviation:	0.0562
Sharpe Ratio:	-0.19
Information Ratio:	0.51
Expense Ratio:	1.13%

Fund Performance

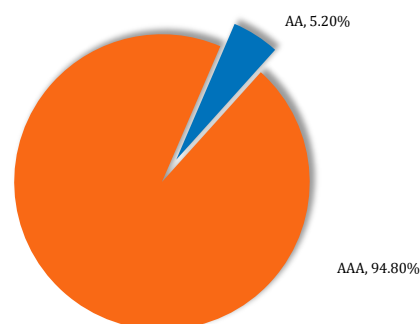
	IGI MMF	BM
YTD (Jul '10 - Feb '11):	11.37%	8.78%
Month (Feb '11):	11.97%	9.17%
Since Inception:	11.53%	8.60%

- 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

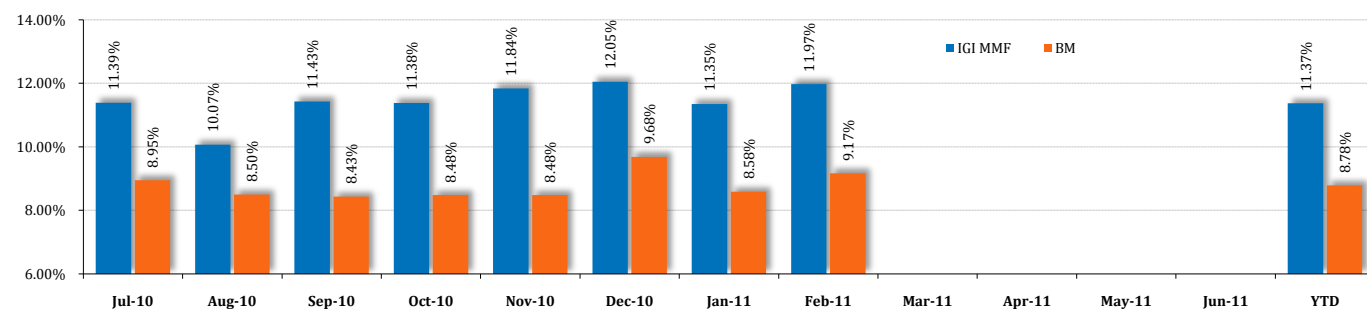


Fund Activity

In February, the investment focus remained on government papers with maturity not exceeding three (3) months as these instruments offered attractive yields. Around CY10-end, the Fund secured TDRs with commercial banks which were set to mature during February. As part of the strategy, the proceeds from TDR maturities were redirected into T-Bills. This redirection resultantly increased the exposure in T-Bills to approximately 93% from 34% at the end of previous month. As part of strategy, the investments were made in papers with maturity up to three (3) months or less. The month witnessed higher trading activity owing to increased volatility in yields.

The reshuffling of Fund's portfolio enhanced the overall yield which is evident in higher MoM return of 11.97% in February as against 11.35% during previous month. Looking ahead, IGI MMF plans to enhance the unit holders' yield by focusing primarily on high-yielding government papers in absence of attractive placement yields on alternate investments. The clean and TDR placements may also be utilized to support the bottom-line yield in case attractive yields are offered by these avenues.

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: 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

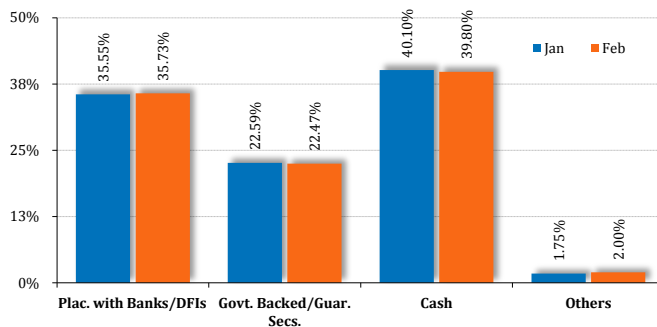
Fund Size (PkR mn):	456
NAV (PkR):	102.1544
Wtd. Average Maturity (months):	4.82
Standard Deviation:	0.0061
Information Ratio:	1.94
Expense Ratio:	1.88%

Fund Performance

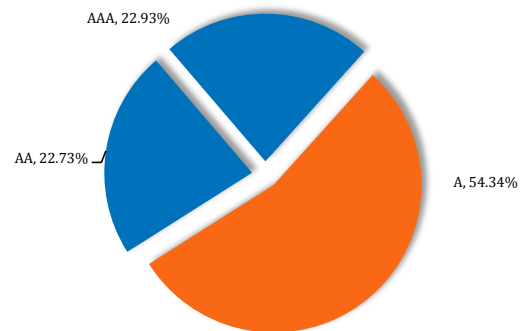
	IGI IIF	BM
YTD (Jul '10 - Feb '11):	9.71%	8.55%
Month (Feb '11):	9.43%	8.66%
Since Inception:	9.56%	8.25%

- 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

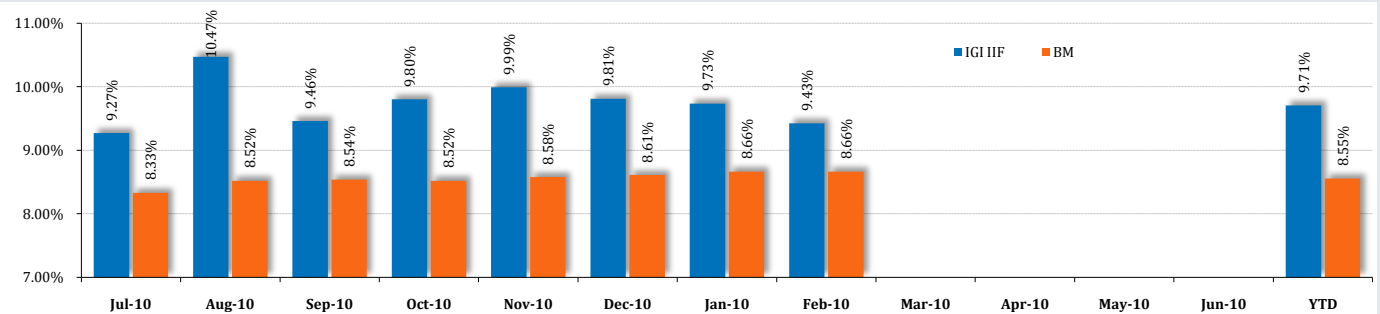
The month witnessed no new investment as IGI IIF maintained its portfolio exposures at the previous month-end's levels. The available liquidity, in excess of cash & cash equivalent requirement, was parked in cash accounts.

The Fund plans to enhance the unit holders' yield while maintaining lower volatility in NAV by investing in higher yielding liquid instruments with lesser price volatility. The strategy favors investment of excess cash in upcoming GoP Ijara Sukuk auction.

Sukuk Holdings (% of Net Assets)

GoP Ijara - IV	22.47%
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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
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:	Nil
Risk Profile:	Low

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

Fund Statistics

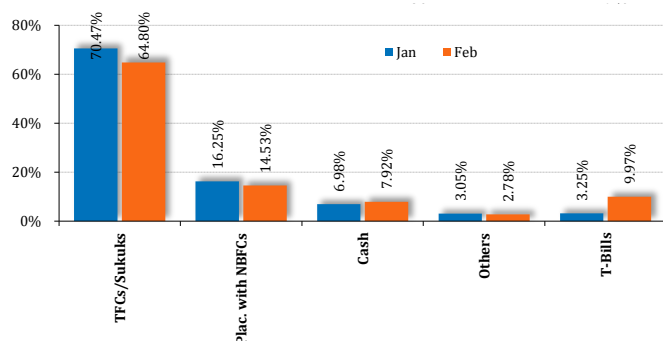
Fund Size (PkR mn):	747
NAV (PkR):	42.9836
Wtd. Average Maturity (months):	35.79
Standard Deviation:	0.2352
Sharpe Ratio:	-1.01
Information Ratio:	-1.04
Expense Ratio:	2.55%

Fund Performance

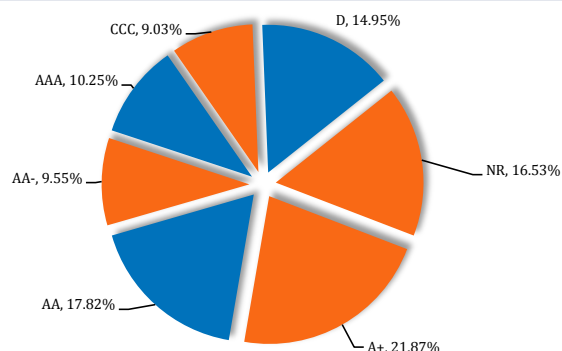
	IGI AIF	BM
YTD (Jul '10 - Feb '11):	-13.72%	13.22%
Month (Feb '11):	-1.80%	13.76%
Since Acquisition:	-10.56%	13.12%

- 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

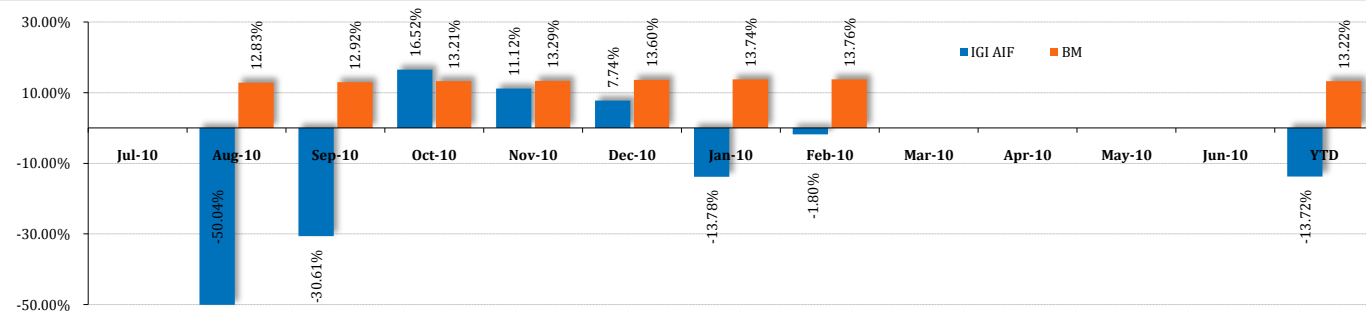
During the month, the Fund managed to offload its holding in WorldCall TFC while 100% provision was recorded against the holding of Pak Hy Oils TFC. The negotiations over outstanding placement with Saudi Pak Leasing is near settlement and as of February, SPLC has matured part of the placement in cash. The additional investment in T-Bills is aimed at fulfillment of cash & cash equivalent as the instrument was offering higher yield than cash accounts.

Going forward, the Fund plans to improve the overall asset quality of the portfolio. In this regard, the proceeds from divestment and cash balance in excess of cash & cash equivalent requirement is set to be redirected to high-rated TFCs preferably with issuer from Banking sector.

TFC/Sukuk Holdings (% of Net Assets)

Pak Mobile Communication - (28-Oct-08)	21.34%
Kohat Cement - (20-Dec-07)	10.05%
UBL Bank - (14-Feb-08)	9.43%
AgriTech Limited - (30-Nov-07)	6.05%
Bank AlFalah - (2-Dec-09) - Fixed	5.25%
Bank AlFalah - (2-Dec-09) - Floater	4.07%
B.R.R Gardian Modarba - (07-Jul-08)	3.06%
Vision Devp. Pvt - (30-Nov-08)	3.01%
Azgard Nine - (04-Dec-07)	2.76%

FY11 Rolling Returns



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