

# IGI Income Fund

Fund Manager's Report - July 2009

IGI Income Fund Rated "4 Star" by PACRA

AMC Rated "AM3" by PACRA

## Fund Facts

Asset Class	Fixed Income
Fund Type	Open-end
Fund Lifespan	Perpetual
Benchmark	1-month KIBOR
Launch Date	April 14, 2007
Dealing Frequency	Daily
Capital Gains Tax	As per tax laws
Pricing	Forward Day
Sales Load	Nil
Management Fee	1.25%
Par Value of the IGIIF certificate	PKR 100/-
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

## Fund Stats

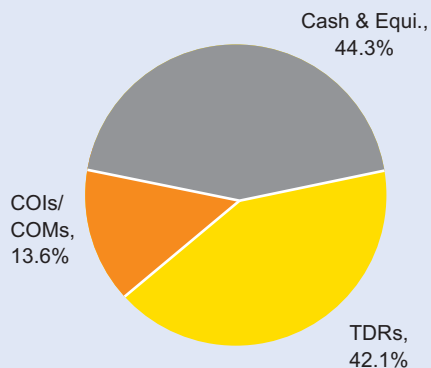
Duration (months)	1.74
Standard Deviation	0.12
Sharpe Ratio	-0.13
Information Ratio	-0.17
Expense Ratio *	1.56%
<b>July '09</b>	
Fund Size (PKR mn)	2,080
NAV (PKR)	101.1701
Monthly Return	12.09%

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

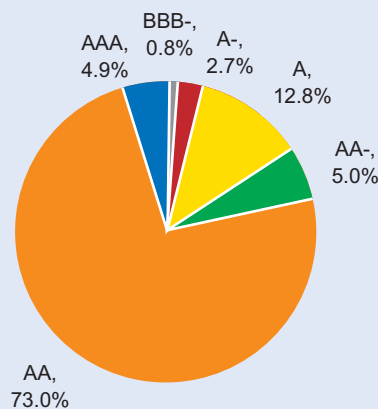
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using Since Inception returns. Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

## Fund Position as at July 31, 2009

### Asset Allocation



### Credit Splits



## 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 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.

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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 - July 2009

#### Environment

Pakistan is cash strapped; therefore, fruitful measures ahead are highly dependent on the receiving the timely loan amount. The International Monetary Fund (IMF) granted a Stand-by Agreement (SBA) loan of USD 7.60 bn in tranches over a period of 23-months. Till date the country received USD 3.94 bn as SBA in two tranches – USD 3.10 bn and USD 834 mn.

The IMF third tranche is likely to be received shortly, as positively discussed with the IMF on August 7, 2009 (USD 840 mn). Furthermore, the IMF also agreed to increase the loan amount by additional USD 4bn, as earlier requested by the government.

The CPI for FY09 stood at 20.80%. Although this is a significant increase since the last fiscal year, the inflationary pressure started easing off post January 2009, on a monthly basis. The contraction of inflation is Pakistan's best bet to lower the key discount rate in the upcoming Monetary Policy. In the past, discount rate was increased subsequently to match the growing inflation trend, in order to combat the negative real rate of the economy. Hopefully inflation would ease off comparatively Year-on-Year going forward.

#### Future Outlook

The upcoming Monetary Policy Statement is expected to spell out the economic condition of the country going forward. Any rate cut in the discount rate coupled with IMF grants is likely to bolster the frail economic situation.

T-Bills and PIBs are likely to pocket capital gain in the wake of falling interest rates.

#### Fund Activity

The Fund continued to hold 44% of cash & cash equivalents, in anticipation of liquidity requirements. Some of the cash was built-up through TFC sales in the start of the month. At present, the Fund is not exposed to TFCs in the portfolio.

Maturities of TDRs were rolled over, whilst other fresh placements with "AA" rating banks were executed in the month under review.

#### Fund Performance

The Fund closed the month with net assets of PKR 2,080 million, with the NAV standing at PKR 101.1701. The Fund currently enjoys a Standard Deviation of 0.12 and an Expense Ratio of 1.56%.

The Fund's returns remained competitive against bank deposits, and other near cash investments. In the absence of TFCs, the fund is not susceptible to revaluations, hence negating volatility in the returns.

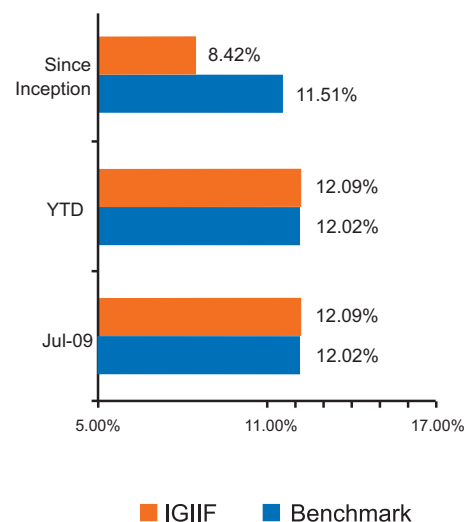
Preservation of the capital, and additional income on investments of the investor remains the prime objective of the Fund.

#### Fund Strategy

In the wake of falling interest scenario, the Fund is going to execute placements in longer-tenor TDRs. This would help stabilize the returns of the Fund.

However, the Fund is likely to accumulate TFCs going forward.

#### Returns Comparison



#### \*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.*

# IGI Stock Fund

Fund Manager's Report - July 2009

AMC Rated "AM3" by PACRA

## Fund Facts

Asset Class	Equity
Fund Type	Open-end
Fund Lifespan	Perpetual
Benchmark	KSE-100
Launch Date	July 15, 2008
Dealing Frequency	Daily
Capital Gains Tax	As per tax laws
Pricing	Forward Day
Sales Load	2.50%
Management Fee	2.00%
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

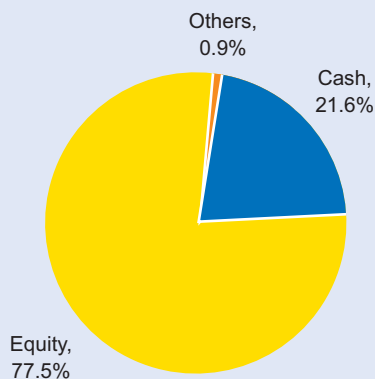
## Fund Stats

Beta	0.82
Standard Deviation	0.02
Information Ratio	0.21
Return (since incep.)	43.83%
	<b>June '09</b>
Fund Size (PKR mn)	298.32
NAV (PKR)	116.43
Monthly Return	8.22%

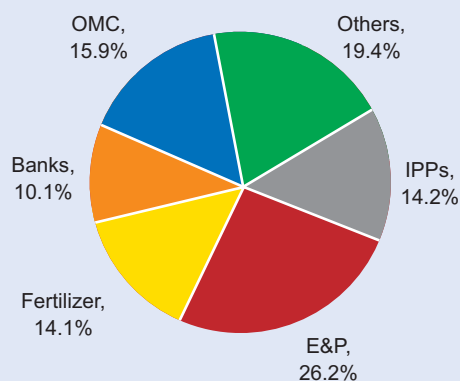
Note: Standard Deviation and Information Ratio have been calculated using daily returns.

## Fund Position as at July 31, 2009

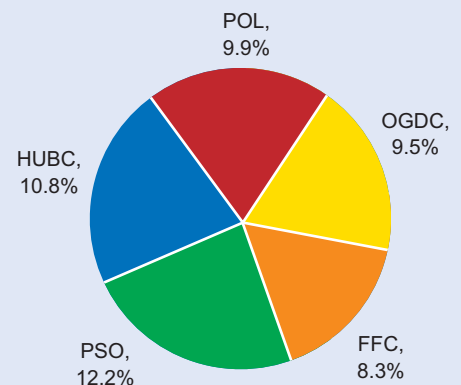
### Asset Allocation



### 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 - July 2009

### Environment

The first month of the new financial year remained lacklustre for the KSE-100. The Market swayed between a narrow band of 7200-7800, without accompanying volumes to provide depth. July was to be the month of corporate results and Discount Rate reduction in the upcoming Monetary Policy. Decline in Government T-Bill yields, 180bps reduction in NSS returns and 13 month low level of 6M KIBOR suggested significant dip in the discount rate. However, the Monetary Policy was postponed till August 15th without any given reason, prompting the market to correct by 2.7%.

Despite the negative aspects, investors viewed the market as having unrealised potential. According to FIPI figures for the month, foreign investors remained net buyers to the tune of USD 12Mn. In addition, YoY inflation till June continues to decline on the back of lower commodity prices (Gas and Oil), which will be trickling down to the end users.

### Future Outlook

Looking ahead, the market is set to break free from its stagnating position. The third IMF tranche is expected in the first half of next month, with a sign off on an additional USD 4Bn loan. PKR 25 Bn has been released to end circular debt, which will be a breather all across the board. In addition, the launch of Deliverable Futures in the market, will all contribute to supporting the index over the 8,000 mark.

### Fund Activity

The strategy during the month was to realise capital gains as the index peaked. IGISF booked profits across the board as the market oscillated between a narrow band. Sectors with burgeoning technicals were concentrated upon, whilst scrips with a greater upside potential were further accumulated.

### Fund Performance

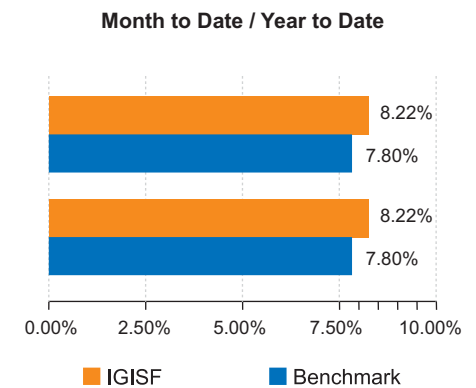
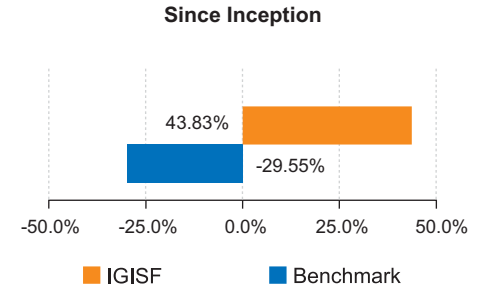
The Month end found our exposure in equity at 77.5%, with key holding in Oil, IPPs and Banks. The Fund continued to add to the ascending return of last year's, registering 43.83% (BM: -29.55%) Since Inception and 8.22% (BM: 7.8%) on MTD/YTD basis.

In addition, the Fund enjoys an Information Ratio of 0.21, the highest among its peers, and a Beta of 0.82 to reflect the closeness to its Benchmark. Therefore, any index appreciation will increase the NAV proportionately.

### Fund Strategy

The market is set to break the 8,000 barrier in this quarter. The strategy is to maintain presence in fundamentally strong scrips with upside potential. IGISF will maintain a trading position in the upcoming months to capitalise on index spikes, as and when they appear.

### Returns Comparison



## IGI Funds Limited

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