

# IGI Income Fund

Fund Manager's Report - June 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

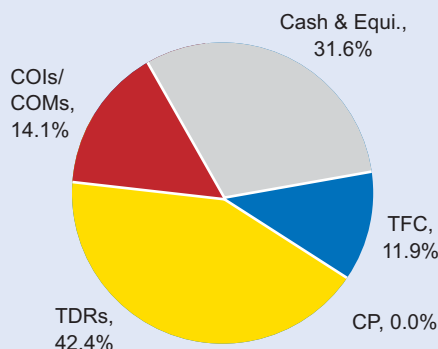
Duration (months)	1.65
Standard Deviation	0.13
Sharpe Ratio	-0.13
Information Ratio	-0.17
Expense Ratio *	2.21%
<b>June '09</b>	
Fund Size (PKR mn)	2,050
NAV (PKR)	106.4878
Monthly Return	8.33%

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

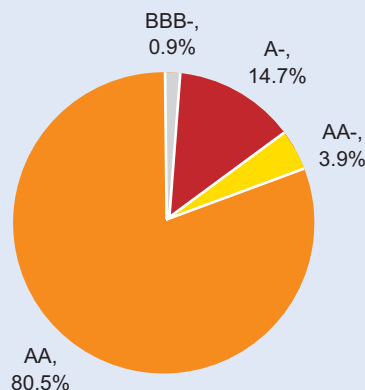
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using Since Inception returns. Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

## Fund Position as at June 30, 2009

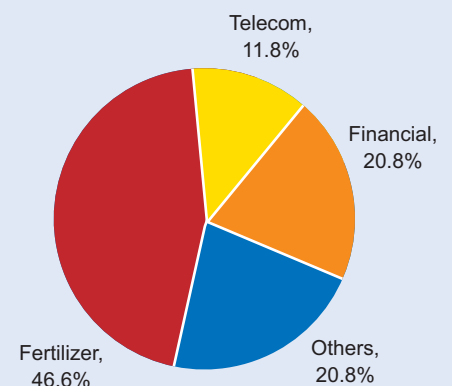
### Asset Allocation



### 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 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.

**IGI**  
Funds

### 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 - June 2009

#### Environment

Liquidity levels in the market remained tight for the month of June 2009. SBP upped its activity by pumping in cash during the first half of the month and then initiating OMOs in the second half to maintain stability.

As was expected, inflationary pressures are easing off, with May'09 CPI figures registering at 14.39%. This will reduce FY09 CPI figures to ~20%. In light of declining inflation, the Policy Discount rate is set to be slashed by 100-150 bps in the upcoming Monetary Policy. This fact is further bolstered by the reduction in MMK yields in all tenors and categories.

In addition, approval of US funds under the header of Military Aid and expected receipt of USD 850 Mn as the third tranche from IMF, will further support Balance of Payments position.

#### Future Outlook

Interest rates are expected to shed from the month following this review. Recent cut in NSS rates, T-Bills and PIBs are indicators of a fall in discount rate in July's Monetary Policy Statement for the quarter.

In the event of contracting interest rates, depositors are likely to advance their investments towards mutual funds with market safe portfolios. Even if the returns on mutual funds are close to bank deposits, a considerable tax advantage makes them profitable investments.

#### Fund Activity

Multiple TDR placements were executed in the period under review, owing to banks borrowing heavily to buckle up deposits for the calendar half-year. Taking advantage of the situation, the Fund reallocated from cash deposits to short term deposits with 'AA' rated commercial banks.

The Fund also planned to exit from the TFCs going forward. Therefore, further TFCs were offloaded.

#### Fund Performance

The Fund closed the month with net assets of PKR 2,050 million, with the Ex-NAV standing at PKR 100.1944 (cum-dividend NAV at PKR 106.4878). The Fund currently enjoys a Standard Deviation of 0.13 and an Expense Ratio of 2.21%.

#### Payout

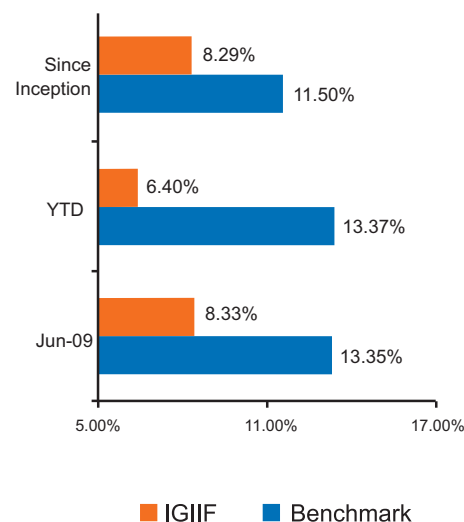
IGIIF announced robust Cash and Bonus payouts at the close of current financial year. The Fund has posted PKR 6.2932 per unit as Cash, translating into 6.2810 units as Bonus for every 100 units. This is a 97% payout of total earnings as per NBFC rules.

#### Fund Strategy

The Fund expects market rates to lower post-June, as players will discount for the anticipated cut in the upcoming Monetary Policy. Therefore, placements in TDRs should be executed for medium and long term tenors going forward.

Furthermore, the Fund has decided to fully liquidate the TFC portfolio, in order to safeguard against volatility in the returns to the unit holders. However, TFCs with good rating could be accumulated in the future at attractive prices.

#### 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 - June 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

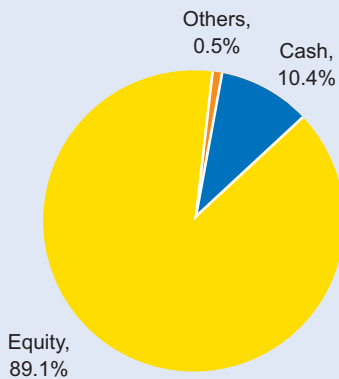
## Fund Stats

Beta	0.90
Standard Deviation	0.02
Information Ratio	0.22
Return (since incep.)	32.90%
	<b>June '09</b>
Fund Size (PKR mn)	249.49
NAV (PKR)	132.90
Monthly Return	0.60%

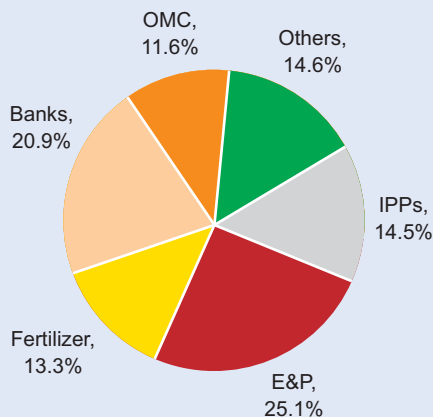
Note: Standard Deviation and Information Ratio have been calculated using daily returns.

## Fund Position as at June 30, 2009

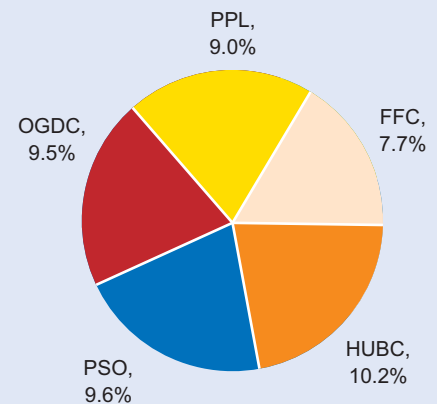
### Asset Allocation



### Sector Allocation\*



### Top Five Holding\*



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

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**IGI**  
Funds

### 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 - June 2009

#### Environment

June has been a month of economic news flow, as the Federal Budget for FY10 was announced. The government initiated a Budget size of PKR 2.9Trn, with a focus on Revenue Generation (Tax Target of PKR 1.5Trn) and rationalisation of Subsidies (48% cut YoY) across the board. The new Budget has a neutral impact on most sectors, with Cement and Autos having a positive impact. The Budget remains to be approved in the National Assembly. The amended Budget will be applicable by early July.

The KSE-100 remained within a narrow band during June, closing the year with a MoM decline of 1.57%. Foreign Investor's activity remained high during the month, where foreigners remained net seller to the tune of USD 5.9Bn.

#### Future Outlook

Going forward, the market has a number of positive triggers in its favor. July-August is a season of earnings results and robust announcements are expected from key sectors. In addition, due diligence on the new leverage product and proposal to restart future contracts is underway. This will increase liquidity flow and higher turnover in the traded volumes.

On the economic front, CPI is declining alongside the yield on Government Securities. This is expected to influence the Monetary Policy to slash discount rates by 100-150bps by mid July, encouraging a growth projection for the new financial year.

#### Fund Activity

During June, the fund maintained a steady position in the market, accumulating key scrips at their support levels. IGISF currently has an exposure of 89% for the month, with main concentration residing in IPPs, E&Ps, Commercial Banks and Fertilisers.

#### Fund Performance

At the end of FY09, IGISF posted a stellar performance. The fund registered a MTD return of 0.6% against a benchmark decline of (1.57%). Since Inception, the fund has appreciated by 32.9% against a KSE-100 depreciation of (34.65%).

The Fund currently enjoys an Information ratio of 0.22 and a Beta of 0.90, reflecting its benchmark closely.

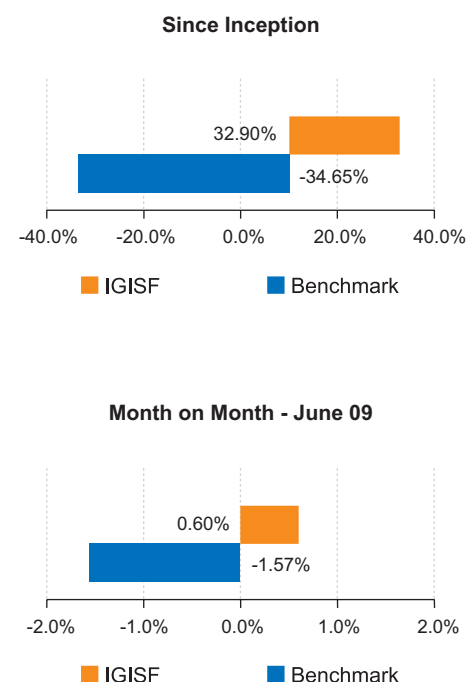
#### Payout

IGISF is among the few in its peer group that has announced dividends. The Fund has posted Cash Payouts of PKR 25.3118 per unit, translating into Bonus Issue of 23.5277 units for every 100 units. This is a 97% payout of total realised capital gains.

#### Fund Strategy

The forward strategy is to maintain a strong presence in blue chip scrips, with a high payout potential. Since the Fund expects the KSE 100 index to rise, scrips with significant capital appreciation will be identified. Investment and divestment to take place accordingly.

#### Returns Comparison



### IGI Funds Limited

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