

## MARKET: ENVIRONMENT & OUTLOOK

### Money Market Overview & Outlook

The country was able to weather the storm, the snail movement in the beginning picked up pace gradually, accelerating to productive results from the previously ailing economy. Pakistan's GDP growth for the FY10 (provisional) stood at 4% (original forecast at 3.3%) as opposed to FY09's 1.2% (revised). Major contributions for the GDP growth were from Services and Industry sectors, contributing approximately 75% of the growth. Country's foreign exchange reserves grew by at least 26%, at USD 15.77bn (provisional for FY10), compared to USD 12.43bn in FY09, strengthening the local currency and providing coverage of multiple monthly imports. Inflation for FY10 stood at 11.7%, compared to 20.8% for FY09, a drastic recovery was witnessed for the period. IMF's restriction of zero budgetary borrowing, contributed positively in the inflation curtailment, among other factors.

Provisional Tax collections for FY10 stood at PkR 1.14bn (Jul - May '10), compared to the same period of PkR 995mn, encompassing a growth in excess of 14%. On the other hand, the country is burdened to retire additional budgetary borrowing to zero, for the IMF SBA loan tranches to follow. The next meeting is scheduled in August, with probable tranche of USD1.1 - 1.2bn.

The liquidity in the money market was supplemented by continuous weekly OMOs. However, yields on government securities in secondary-market rallied higher as banks tried to liquidate their security holdings to cash. Maximum transactions were witnessed in short-term T-Bills, simultaneously 10-YR PIBs complemented the rising yield race. However, post June the market is likely to remain liquid, and yields are expected to witness retrenchment until any major outflow hits the market. T-Bill yields could however, increase fractionally; In view of lesser investment opportunities driving auction yield upwards.

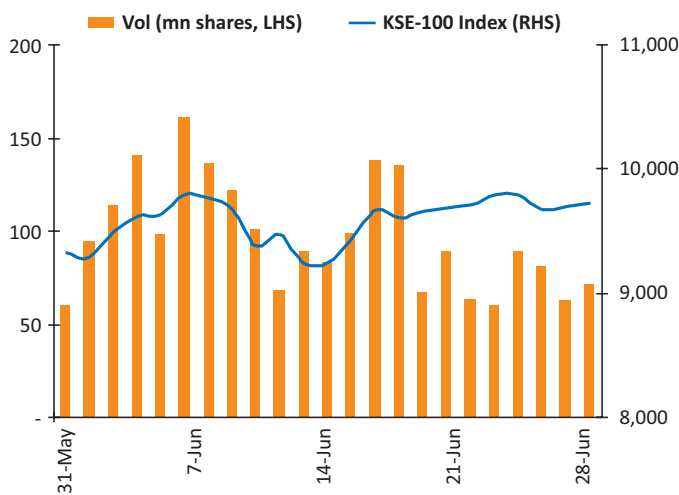
### Equity Market Overview & Outlook

The KSE-100 appreciated by 35.74% in FY10, recovering from the volatility that was predominant in FY09. On a quarterly basis, the performance graph shows a mixed trend with index gaining 35% and 8.57% in 1st and 3rd quarters while losing 2.34% and 5% in 2nd and 4th quarters, respectively. The index crossed the 10,000 points levels but failed to sustain it owing to uncertainties regarding implication of CGT, which investors had been dodging for a number of years. But this year, the IMF led initiative to increase organic growth in revenue from taxation forced an announcement of CGT levy after July 1st 2010, applicable retrospectively.

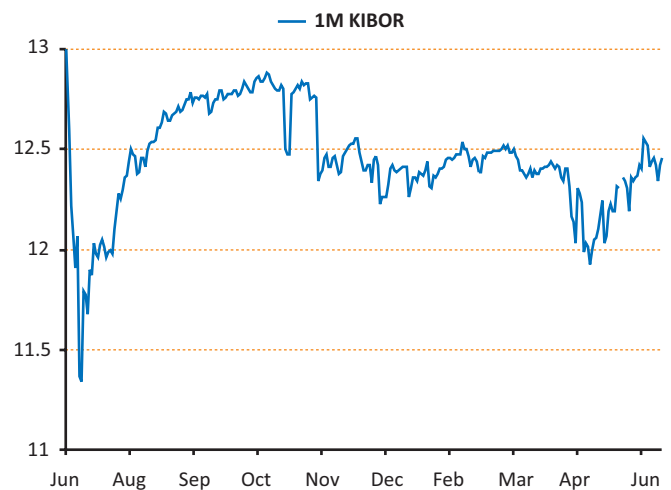
As far as trading volumes are concerned, the year witnessed a YoY improvement to the tune of 57%. During the period, international interest was considerably higher, with foreigners being the main participants in 2HFY10. According to FIPI figures, the sector had a net buy position in FY10 leading to an inflow of USD 581.7Mn in the system. The same community pulled out USD 402.3Mn in FY09. The foreign quarter continues to remain a pivotal factor for the market, as they tend to churn their positions in index weighty stocks.

Currently, the market is trading at a fundamental discount to its valuations and its regional peers. At a FY11E PER(x) of approximately 7x, KSE is at a discount to its regional peers. In addition, blue chip stocks are trading at prices that provide a significant upside potential. With uncertainty regarding CGT wearing off, increase in exposure limits for Equity funds by apex regulator and upcoming result season; we expect the market to recapture its lost glory. The index is expected to touch the elusive 11,000 level by end of CY10.

### 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.

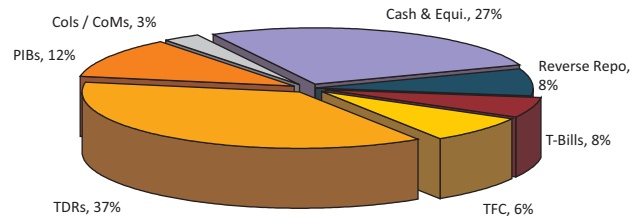
## Fund Statistics

	May-10	Jun-10
Fund Size (PKR in mn)	3,200	2,436
NAV (PKR)	105.1627	106.0761
Duration (Months)	12.68	16.65
Standard Deviation*	0.11	0.10
Sharpe Ratio	(0.14)	(0.14)
Information Ratio	(0.18)	(0.18)
Expense Ratio**	1.90%	1.86%

\*Standard Deviation, Sharpe and Information Ratios have been calculated using Since Inception returns. Sharpe Ratio has been calculated against 3-month T-Bill.

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

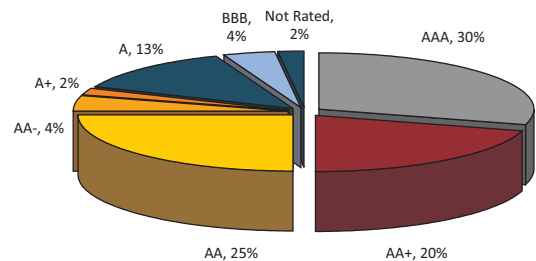
## Asset Allocation



## Asset Allocation (%age of Assets)

	May-10	Jun-10
Cash & Equivalents	54%	27%
COI's/COM's	2%	3%
Term Finance Certificates	2%	6%
Treasury Bills	-	8%
Pakistan Investment Bonds	10%	12%
Placement	6%	8%
Term Deposit Receipts	26%	37%

## Credit Splits



## Returns

	BM	IGI IF
Month to Date	12.39%	11.10%
Year to Date	12.45%	11.12%
Since Inception	11.78%	9.16%

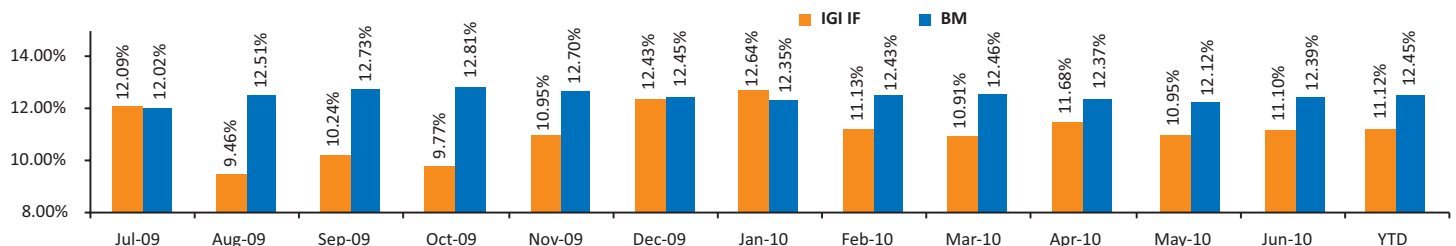
## Fund Activity

With the end of June, the Fund completed its third full year of operations with a return of 11.12%. The Fund paid final dividend of PkR 5.7615 per unit (alternatively, bonus units of 5.7434 units for every 100 units held), cumulative to total dividend of PKR10.7469 per unit to its unitholders, for the period FY10. The final payout is applicable to units held as on June 30, 2010 (ex-div price PkR 100.3146).

During the month under review, the Fund shuffled cash with investments in T-Bills and TFCs. Maturing placements with Comm. Banks were rolled over, whereas maturities from NBFIs were parked in the cash & cash equivalents. However, TDR rates for the last week of June remained unattractive, as market was quite liquid, averaging 11.05%, therefore the Fund concentrated on placements in assets having secondary market.

The new fiscal year (FY11) is expected to be sluggish in the start, with rates dipping for TDRs, other than in the Ramazan (Holy Month) period. Therefore, the market is likely to concentrate in government securities, especially in short-term maturities. The TFC demand is likely to mushroom, in contrast to falling Kibor rates. The Fund plans to further enhance its exposure in TFCs, eyeing only high rated issues complimented with timely coupon payment history.

## Rolling Returns: IGI IF vs. 1M KIBOR



## 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

	May-10	Jun-10
Fund Size (PKR in mn)	444.85	427.08
NAV (PKR)	134.4238	135.6529
Beta	0.98	1.05
Standard Deviation	0.01	0.01
Information Ratio	0.14	0.13

## Asset Allocation (%age of Assets)

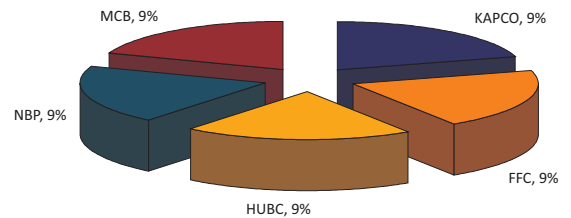
	May-10	Jun-10
Equities	91%	99%
Cash	7%	1%
Others	2%	0%

## Returns

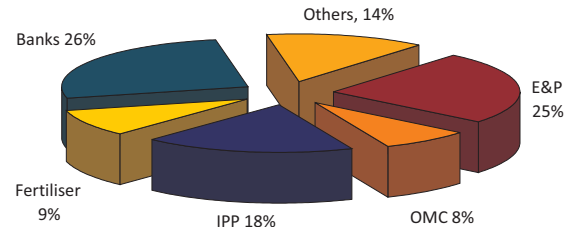
	BM	IGI SF
Month to Date	4.24%	0.91%
Year to Date	35.74%	26.09%
Since Inception	(11.30%)	67.57%

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

## Top 5 Holdings\*



## Sector Allocation\*

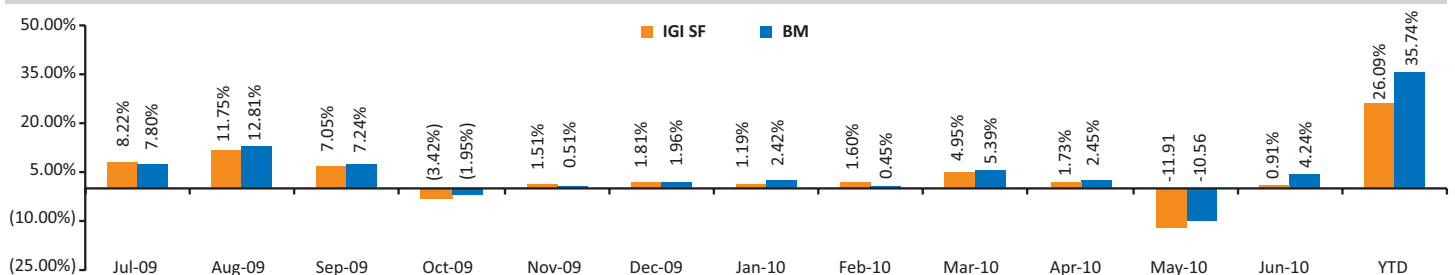


## Fund Activity

IGISF completed its second year of operation with a YoY appreciation of 26.09% against 36.42% appreciation in KSE-100 index. The Fund announced a payout PKR34.5833/- per unit for Income unit holders and 34.2173 per 100 units for Growth unit holders. The payout is applicable to units held as on June 30, 2010 (ex-div price PKR 101.0696).

The key sectors for growth remain Oil, Power Generation and Fertilizers as they provide stability and safety to the investors. Banks are likely to play the fence, as the stories regarding NPLs will drag the bottom-line. The Fund's strategy will be to maintain a portfolio of fundamentally strong scrips, acquired at their lows. Gains will be realized in scrips as they near their peaks, whilst the funds will be reallocated into other growth sectors. Risk will be mitigated by proportionate exposure into stable, growth and rapidly appreciating stocks to closely reflect movements in the index. In the upcoming year, the Fund will aim at providing its investors an even better return coupled with stable growth in the NAV.

## 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.

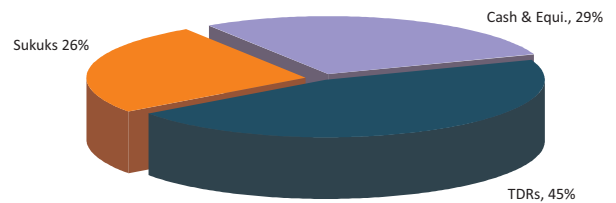
## Fund Statistics

May-10 Jun-10

Fund Size (PKR in mn)	396	399
NAV (PKR)	104.4347	105.1727
Duration (Months)	0.65	7.20
Standard Deviation*	0.007	0.006
Information Ratio	1.47	1.39
Expense Ratio**	2.25%	2.27

\*Standard Deviation, Sharpe and Information Ratios have been calculated using Since Inception returns.  
\*\*Ratio of total expenses including management fee to the average annual net assets.

## Asset Allocation

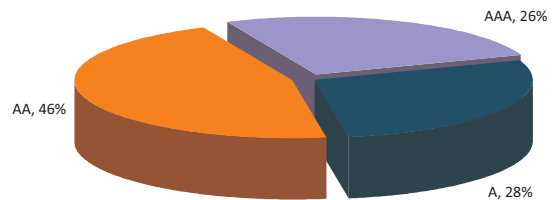


## Asset Allocation (%age of Assets)

May-10 Jun-10

Cash & Equivalents	55%	29%
Term Deposit Receipts	45%	45%
Sukuks	-	26%

## Credit Splits



## Returns

BM IGI IIF

Month to Date	8.35%	8.95%
Year to Date	7.90%	9.21%
Since Inception	7.90%	9.21%

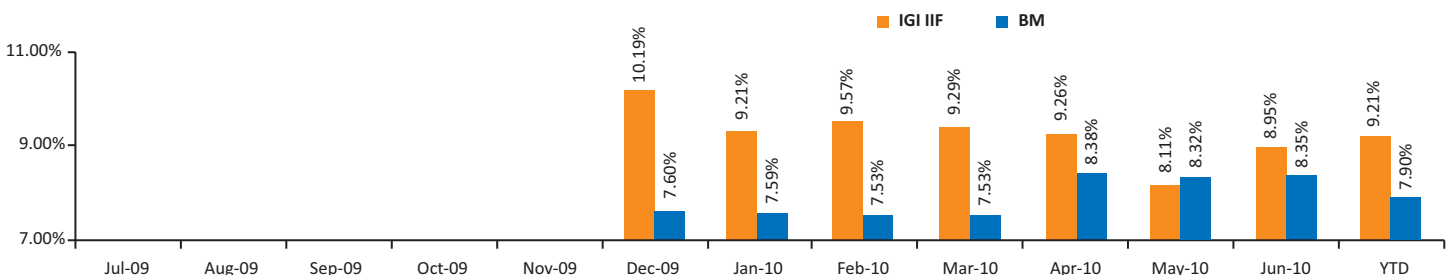
## Fund Activity

In its first year, IGIIF remained operational for around seven months and yielded a return of 9.21%; one of the highest in its category. The Fund announced a dividend of PKR5.0176 (bonus units of 5.0098 units, for every 100 units held) for every unit held. The payout is applicable to units held as on June 30, 2010 (ex-div price PKR 100.1551).

In June, the Fund increased its exposure in GoP Ijara Sukuk, taking advantage of better yields compared to Cash & Cash Equivalents. TDR rates in 'A' rated Islamic banks remained unattractive, compared to current yields on Sukuks, therefore the Fund abstained from further TDR placements.

Post June, the market rates are expected to flatten out further. However, yields on Sukuks are likely to remain attractive as fresh Ijara issuance is also sought by the government. Additionally, the government is also working on issuance of international Sukuk bills. Therefore, the Fund plans to capitalize on opportunities in Ijara Sukuks to improve yields further. The Fund may look at short term placements avenue such as TDRs, if available at higher rates.

## Rolling Returns: IGI IIF vs. Benchmark





# IGI Money Market Fund

AMC Rated "AM3" by PACRA

Fund Manager: **Talib Wahab Shubaily**

## 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/-		

## 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

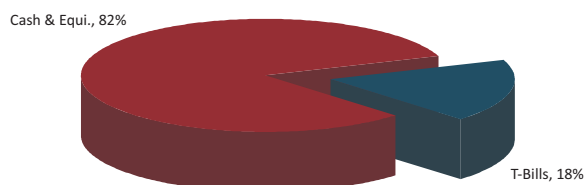
May-10 Jun-10

Fund Size (PKR in mn)	685	816
NAV (PKR)	100.1126	100.9946
Duration (Months)	0.03	1.81
Standard Deviation*	N/A	0.003
Sharp Ratio*	N/A	(2.92)
Information Ratio*	N/A	2.43
Expense Ratio**	1.38%	1.54%

\* N/A (not applicable in the first month of operations)

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

## Asset Allocation

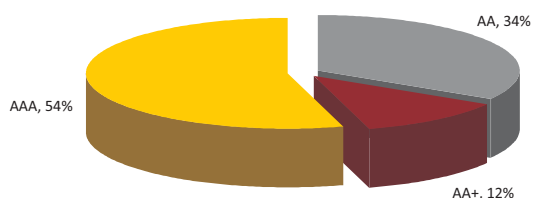


## Asset Allocation (%age of Assets)

May-10 Jun-10

Cash & Equivalents	100%	82%
Treasury Bills	-	18%

## Credit Splits



## Returns

BM IGI MMF

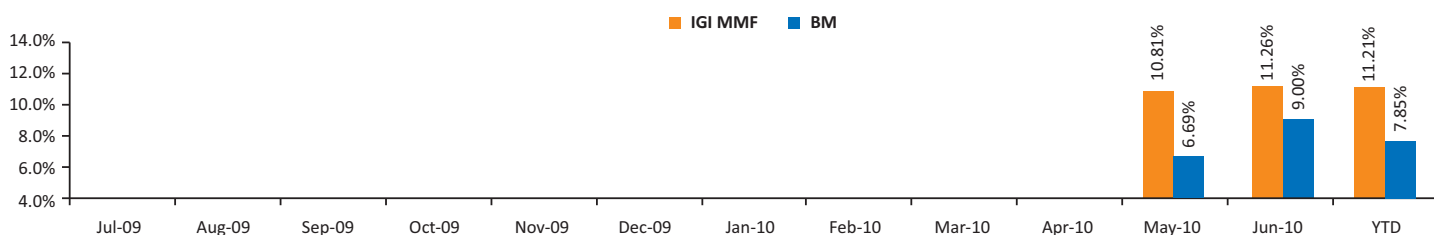
Month to Date	9.00%	11.26%
Year to Date	7.85%	11.21%
Since Inception	7.85%	11.21%

## Fund Activity & Strategy

IGIMMF yielded a superior return of 11.21% to its unitholders for the period it remained operational. The Fund announced its first and final dividend of PKR 0.9648 per unit (alternatively, bonus issue of 0.9645 units, for every 100 units held). The payout is applicable to units held as on June 30, 2010 (ex-div price PKR 100.0298). During June, the Fund invested in short and medium term T-Bills. Furthermore, regular overnight placements were also executed, taking advantage of the higher accrual compared to the cash accounts. However, towards the month-end the market remained highly liquid, therefore overnight placements were paused, and float was reserved in the cash accounts.

Money Market yields are likely to dip from the current levels as liquidity remains within the banking system. However, if the budgetary borrowing increases, pressure could turn inch up the yields on government securities. The Fund plans to invest in T-Bills and overnight placements, further. Placements in short-term TDRs are likely, if the rates trend higher from the current rates.

## Rolling Returns: IGI MMF vs. Benchmark



“All investments in mutual fund are subject to market risks. The NAV of units may go down or up based on market conditions. Investors are advised in their own interest to carefully read the contents of the offering document, in particular the Investment Policies mentioned in clause 2.2, Risk Factors mentioned in clause 2.12 and Warnings in clause 13, before making any investment decision.”



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Opportunity by  
Pushing the boundaries**

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0.80% management fee on average annual net assets**

- Open end scheme with investment only in highly liquid money market instruments with minimum AA rating.
- Zero entry and exit load.

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