

MARKET: ENVIRONMENT & OUTLOOK

Money Market Overview & Outlook

Money Market, for the period under review, mostly remained stable with occasional spikes taking overnight rates close to the discount rate. However, liquidity dried up towards the end of the month and yields on government securities started trending upwards. Furthermore, a fair amount of activity was witnessed during the month in corporate bonds (TFCs), especially banking issues, trading at premium. In the recent Monetary Policy announcement, discount rate remained unchanged for remainder of FY10.

In the recent data published by the State Bank of Pakistan (SBP), the current account deficit (till date) has significantly fallen compared to the previous two fiscal years, majorly contributed by the foreign reserves close to USD16 bn. Furthermore, the GDP growth for FY10 is estimated by SBP close to 4.1%, as compared to previously targeted 3.3%. CPI for Apr '10 was witnessed at 13.3% Y-o-Y. After receding consecutively for the past two months, the current numbers jumped close to CY10 highest at 13.7% in Jan '10. The SBP estimates inflation at average 12% for FY10.

Money market is likely to remain tight with higher borrowing rates (TDR) as June-end pressure starts building up. This will benefit market players with excess liquidity in their portfolios. Substantial activity will be seen in government securities pushing in the one year paper close to the discount rate. Therefore, heavy bidding in the upcoming auctions can be expected.

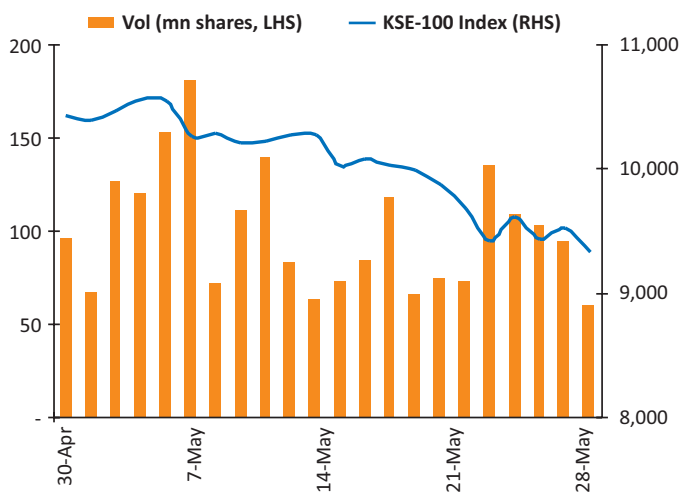
Equity Market Overview & Outlook

KSE-100 experienced increased volatility during the month of May. The Index lost footing by 13.01% MoM to 9,350 level, with average daily trading volumes falling by 48% to rest at 100.68mn shares. The foreign quarter, which was the main driving force in previous months, registered a decline of 68% in its buying position. FIPI account registered a Net BUY position of USD 25.6Mn in May against USD 80.3Mn, a month earlier.

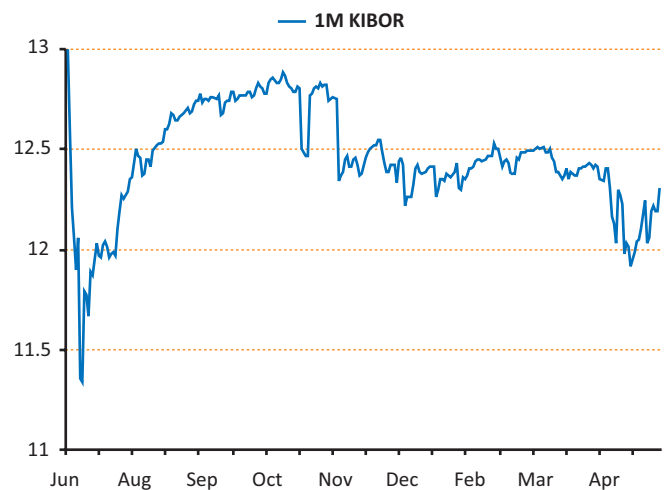
The retraction in KSE-100 was due to many reasons but the main blame was placed on the deteriorating economic situation in the Eurozone. The downturn forced global investors to pull out of Europe and subsequently, Frontier and Emerging Markets. The impact on FOREX pushed US, the largest consumer of oil, to reduce exposure in the commodity causing international prices of crude to decline sharply. This resulted in hysteria in the oil based sectors of the domestic market, the weightiest segments of the KSE-100, and prices of key stocks plummeted sharply.

Going forward, the market is expected to oscillate in the run up to the Budget announcement next month. The market, trading at a 50% discount to the region in terms of PE, offers value for foreign investment. Fundamentally strong stocks are trading at their technical bottom but investor confidence is too low for heavy accumulation. Trading focus will be seen in dividend yielding stocks as they carry minimal risk.

KSE-100 Movement



KIBOR Movement



Members of Investment Committee

Chairperson	Maheen Rahman	<i>Chief Executive Officer (CEO)</i>
Member	Syed Muhammad Zeeshan	<i>Chief Financial Officer (CFO)</i>
Secretary	Muddasir Ahmed Shaikh	<i>Chief Investment Officer (CIO)</i>
Member	Talib Wahab Shubaily	<i>Portfolio Manager</i>
Member	Syed Saifullah Kazmi	<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 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

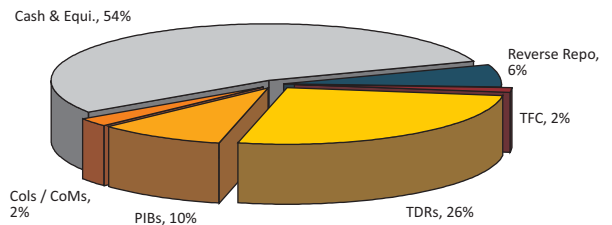
The investment objective of IGI Income Fund (IGIIF) is to minimize risk, construct a liquid portfolio of fixed income instruments and provide competitive returns to the Unit Holders. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance with applicable laws.

Fund Statistics

	Apr-10	May-10
Fund Size (PKR in mn)	3,258	3,200
NAV (PKR)	104.2388	105.1627
Duration (Months)	27.72	12.68
Standard Deviation*	0.11	0.11
Sharpe Ratio	(0.14)	(0.14)
Information Ratio	(0.18)	(0.18)
Expense Ratio**	1.57%	1.90%

*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.

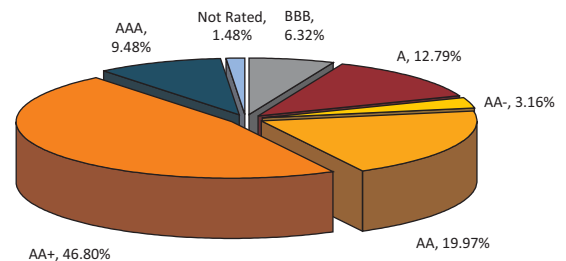
Asset Allocation



Asset Allocation (%age of Assets)

	Apr-10	May-10
Cash & Equivalents	26%	54%
COI's/COM's	3%	2%
Term Finance Certificates	12%	2%
Treasury Bills	10%	-
Pakistan Investment Bonds	21%	10%
Placement	-	6%
Term Deposit Receipts	28%	26%

Credit Splits



Returns

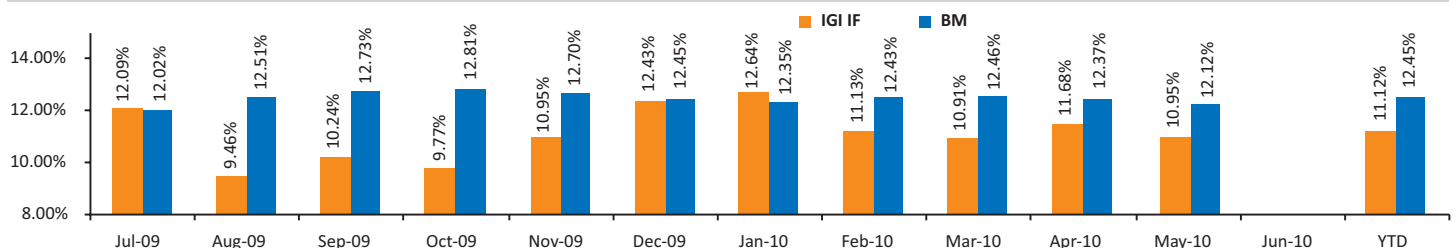
	BM	IGI IF
Month to Date	12.12%	10.95%
Year to Date	12.45%	11.12%
Since Inception	11.77%	9.11%

Fund Activity

During the period under review, the Fund focussed on building higher cash deposits, retained at decent accruals. Exposure in government securities was reduced in order to minimize volatility arising from daily mark-to-market activity. This also helped in reducing the threat of market-to-market losses as the rates trended upwards during the month.

Going forward, the Fund plans to rebuild its exposure in risk-free government securities, in anticipation of rates coming off later in the short term. Additionally, positions in good quality TFCs are also sought for, to enhance the yield with minimal risk. As the next month is likely to put commercial banks in a deposit-war, to compliment their asset size for the half-year ended calendar year, TDR rates are expected to hike-up. The Fund (well equipped with cash) would place TDRs, taking advantage of higher bank rates.

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

	Apr-10	May-10
Fund Size (PKR in mn)	527.93	444.85
NAV (PKR)	152.6056	134.4238
Beta	0.94	0.98
Standard Deviation	0.01	0.01
Information Ratio	0.15	0.14

Asset Allocation (%age of Assets)

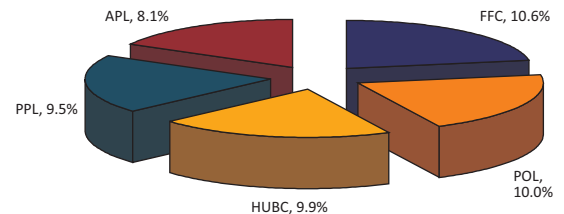
	Apr-10	May-10
Equities	88.2%	91.3%
Cash	8.6%	6.5%
Others	3.1%	2.2%

Returns

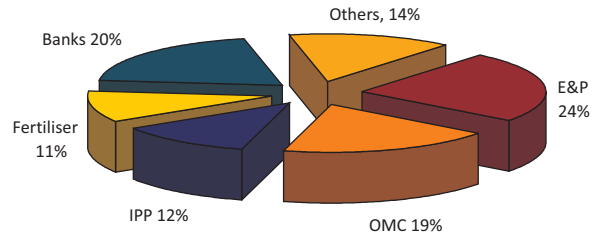
	BM	IGI SF
Month to Date	-10.56%	-11.91%
Year to Date	30.22%	24.95%
Since Inception	(14.90%)	66.05%

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

Top 5 Holdings*



Sector Allocation*

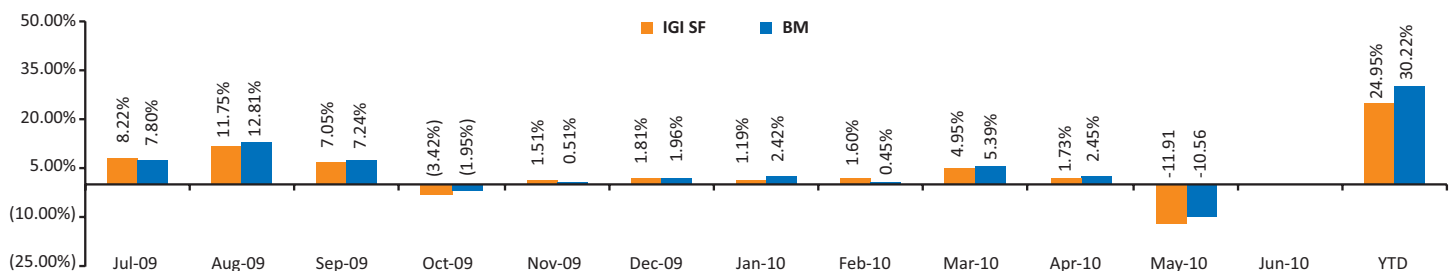


Fund Activity

On a YTD basis, IGISF closed the period with a return of 24.95% (KSE-100: 30.22%). In June, as against a decline of 10.56% in the benchmark Index, IGI SF reported a negative MTD return of 11.91%. The underperformance of blue chip scrips especially the Energy sector scrips, comprising 43% of the Fund's portfolio, explains this performance gap. IGISF follows the strategy of reliance on fundamentally strong blue chip scrips trading at discounts from their valuations. In addition, the fund also adjusted for payment of Worker's Welfare Fund (WWF) to the GoP, as it was amongst the few funds in its category to have generated a profit at close of business on June 2009.

IGISF has one of the lowest information ratio in the industry which shows efficient portfolio management with lower risk. Going forward, the fund will maintain its presence in equities with same strategy of reliance on fundamentals.

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

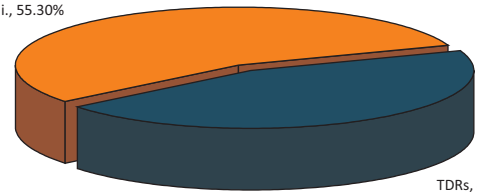
Apr-10 May-10

Fund Size (PKR in mn)	403	396
NAV (PKR)	103.7455	104.4347
Duration (Months)	1.08	0.65
Standard Deviation*	0.004	0.77
Information Ratio	2.85	-
Expense Ratio**	2.06%	2.25%

*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.

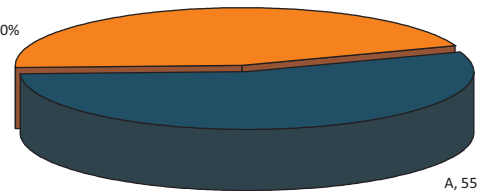
Asset Allocation

Cash & Equi., 55.30%



Credit Splits

AA, 45.00%



Asset Allocation (%age of Assets)

Apr-10 May-10

Cash & Equivalents	56%	55%
Term Deposit Receipts	44%	45%

Returns

BM IGI IIF

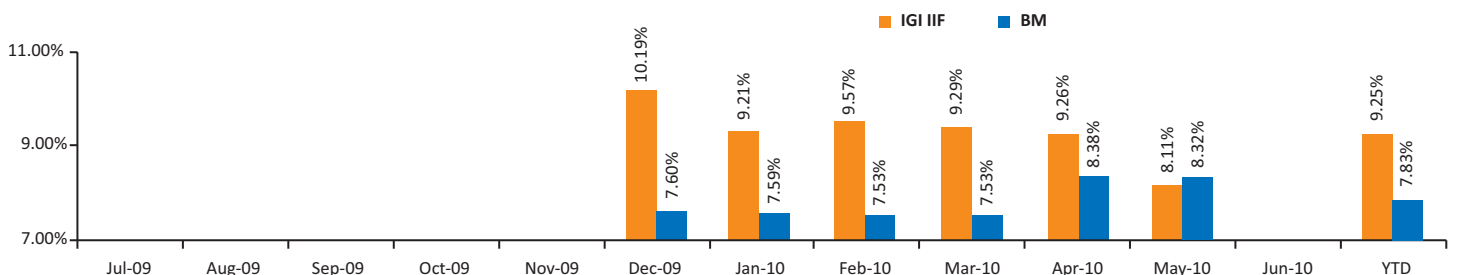
Month to Date	8.32%	8.11%
Year to Date	7.83%	9.25%
Since Inception	7.83%	9.25%

Fund Activity

The fund maintained its asset allocations during the period under review. Placements in assets were put on hold, in absence of attractive rates available in Islamic products. Therefore cash stood at 55% of the portfolio, and the rest was allocated in TDRs.

Market rates are expected to race up for June-end, in anticipation of a deposit-war by banks. IGIIF plans to execute TDRs and enter into government securities (shariah approved). Yields on Sukuks may lower, as demand outweighs supply in the market, however they may still contribute higher to daily accruals offered by banks.

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

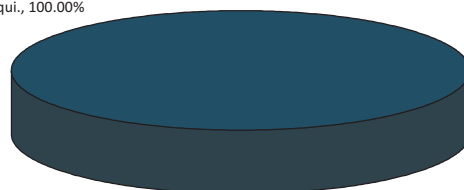
Fund Size (PKR in mn)	685
NAV (PKR)	100.1126
Duration (Months)	0.03
Standard Deviation*	N/A
Sharp Ratio*	N/A
Information Ratio*	N/A
Expense Ratio**	1.38%

* 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

Cash & Equi., 100.00%



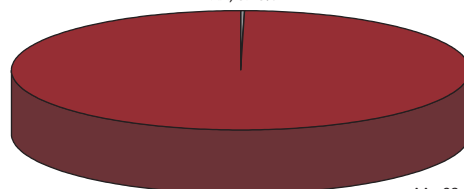
Asset Allocation (%age of Assets)

May-10

Cash & Equivalents	100%
Term Deposit Receipts	-

Credit Splits

AA, 0.20%



AA+, 98.80%

Returns

BM IGI MMF

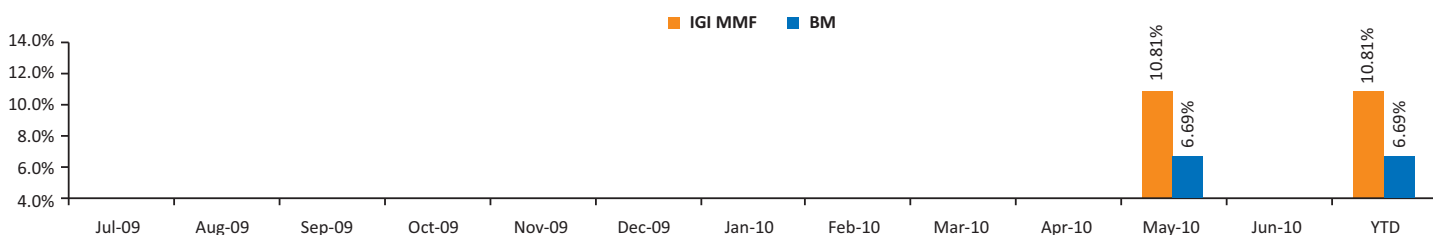
Month to Date	6.69%	10.81%
Year to Date	6.69%	10.81%
Since Inception	6.69%	10.81%

Fund Activity & Strategy

The Fund remained completely liquid, as it was launched at the end of the month under review (IPO dates May 25 - 27, 2010). Furthermore, government yields on short-term tenors remained volatile, hence the Fund preferred to remain liquid,

As the cutoff yields are expected to rise in the upcoming auctions, IGIMMF plans to accumulate short term T-bills, in addition to money market placements. This is likely to benefit the Fund with higher accruals. TDR rates are also expected to race up as the June-end draws closer.

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.”



**Creating
Opportunity by
Pushing the boundaries**

IGI
Funds

**IGI Funds introduces the IGI Money Market Fund with
0.80% management fee on average annual assets**

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

IGI Money
Market Fund

AMC rated “AM3” by PACRA

For further details, visit our website: www.igifunds.com.pk or call us at **0800-2-34-34**

IGI Funds Limited

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