

Monthly Fund Review

May, 2011 Issue

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

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Economic & Capital Markets Review

Economic Review

As expected, SBP maintained its policy rate at 14%, while inflation rose to 13.2% in May'11 over the same month last year, compared to 13% documented in Apr'11 over Apr'10. This was largely driven by domestic petroleum prices, and the small base effect from FY10. Moreover, the current account posted a surplus of USD 768mn for 10MFY11, largely led through a 27% increase in exports and a 24% increase in remittances over the period. Similarly, the shrinking service and income account deficit contributed to the surplus recorded over the last few months. The positivity in May'11 is expected to continue in the value of exports. However, the rate of growth is set to decline as the decrease in international food and cotton prices starts to reflect in the trade account. Moreover, remittances for 11MFY11 are set to hit USD10bn, with the expectation that they will be at (or just over) USD 11bn for FY11. The current account is estimated to remain within USD 500mln for 11MFY11. Foreign inflows in the capital account are projected to maintain their declining trend in May, as FDI continues to fall and no coalition (or related) funds were released during the month.

Moving forward, we expect interest rates to come down to 13.5% within the next two policy statements, which may once again pick up in third quarter of FY12, as the government may struggle to manage its deficit target. Inflation is likely to average between 12-12.5% in the first quarter of FY12, largely due to the large base effect and the government interest to show relative improvement on the fiscal front (to secure funds from the IMF). Also, security and power concerns continue to haunt FDI into the country, with negative (and polarized) news flow deterring broad interest. Similarly, it is likely the release of coalition funds and other payments will be linked to military activity in north Waziristan. On the whole, foreign inflows will be critical as Pakistan debt servicing and defense payments constitute to 70% of planned expenditure, providing little room for other expenses, which may once again face cuts if domestic resource mobilization doesn't meet budget projections.

Money Market Review

Money market remained fairly liquid in the first half of the month owing to settling of "old stock" in the power sector of PKR 120bn by the government. Overnight rates remained low averaging at 11.67%. However, liquidity dried up in the second half of the month with overnight rates averaging at 13.39%. During the month, the OMOs resulted in the net mop up of liquidity, as the SBP picked up PKR 97.7bn and injected PKR 82.5bn.

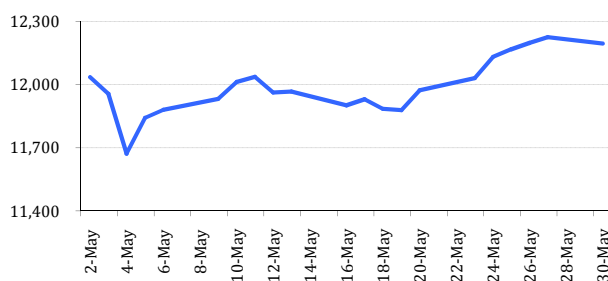
T-bill yields continued to ease after peaking in late Jan'11, which was attributed to higher liquidity in the market. Compared to the last auction held in Apr'11, T-bill yields fell by 4bps, 2bps, and 3bps respectively in 3M, 6M and 12M papers to 13.21%, 13.62% and 13.84% levels. Investors preferred 6M and 12M papers, as 53% and 31% of the total participation was in the respective tenors. The trend in T-bills continued to reflect the view of market participants' that interest rates have peaked for now. A similar interest rate view has been indicated by KIBOR, as the 6M KIBOR averaged to 13.64% in May' 11, implying an ease of 9bps compared to Apr' 11. During the month, the SBP also conducted a PIB Auction where it accepted PKR 28bn against a target of PKR 20bn without any change in cut-off yields. As we move into the last month of FY11, yield are likely to remain on the higher side.

Equity Market Review

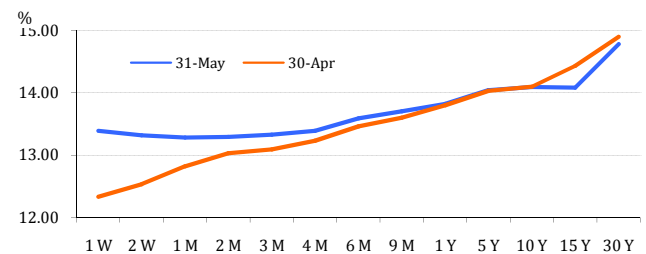
The market traded in a narrow band with very low volumes during May'11. This can be attributed to uncertainties in the lead up to Budget FY12. The market rose by a meager 0.54% during the month, with the average daily volume declining to 71mn shares. Selective buying interest by foreign investors was observed with net investment of USD 26.4mln. Furthermore, security concerns heightened due to the killing of OBL in Pakistan (resulting in strained Pak-US relations) and insurgency on the naval base led to a cautious investment approach by investors. However, towards the end of the month, rumors regarding the elimination of CGT in the upcoming budget lead to opportunistic buying.

Going forward, the direction of the market will be determined by developments on the macroeconomic front, including the budget announcement and expectations of corporate results for fiscal year-end. We maintain a positive stance on equities and expect the volumes to improve as we move into FY12.

KSE-100 Index Movement



Yield Curve



Members of Investment Committee

Chairperson	Maheen Rahman , <i>Chief Executive Officer</i>
Member	Syed Muhammad Zeeshan , <i>Chief Financial Officer</i>
Secretary	Muddasir Ahmed Shaikh , <i>Chief Investment Officer</i>
Member	Syed Saifullah Kazmi , <i>Portfolio Manager</i>
Member	S. Salman Raza Naqvi , <i>Group Head - Risk & Credit Management</i>

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:	1.00%	Dealing Days:	Monday - Friday
Risk Profile:	Low	Cut-off Time:	9:00 am - 3:00 pm
Leverage:	Nil		

Fund Statistics

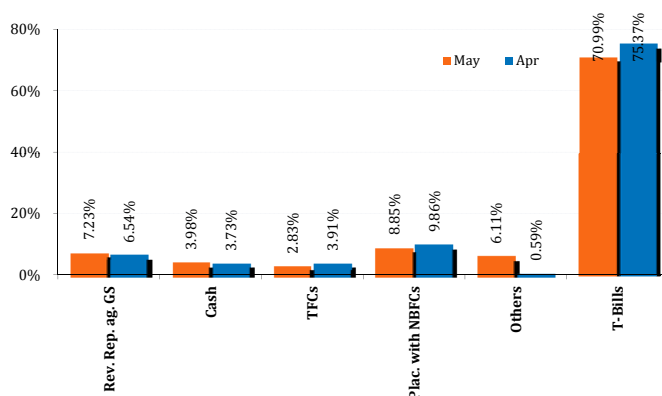
Fund Size (PkR mn):	1,351
NAV (PkR):	102.9911
Wtd. Average Time to Maturity (months):	7.30
Standard Deviation:	0.0094
Sharpe Ratio:	-1.40
Information Ratio:	-1.79
Expense Ratio:	1.17%

Fund Performance

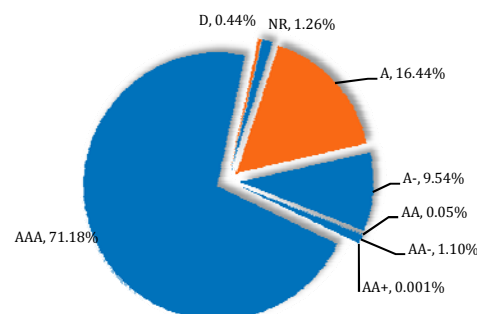
	IGI IF	BM
YTD (Jul '10 - May '11):	11.23%	13.35%
Month (May '11):	10.89%	13.64%
Since Inception:	11.18%	12.08%

- 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

IGI IF generated a MTD return of 10.89% and YTD return of 11.23% during the period under review. The fund shed its position in TFCs and remained focused on T-Bills. Maturities from placements were also directed into papers. The strategy for the month was to capture the longer tenure papers as they provided a higher yield alongside stability against revaluation volatility.

Going forward, the fund will maintain a strong focus on T-bills, but duration will be reduced. IGI IF will also consider short term bank placements as rates offered are usually high in June.

TFC Holdings (% of Net Assets)

Bank Alfalah Limited - (2-Dec-09) - Fixed	1.08%
Bunnys Limited - (13-Nov-08)	1.12%
Vision Dev. (Pvt) Limited - (30-Nov-08)	0.65%

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	1.02%	1.12%
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	0.59%	0.65%
BRR Guardian Modaraba	Certif. of Musharaka	2,091,040	0	2,091,040	0.14%	0.15%

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%	11.35%	11.42%	10.89%		11.23%
BM	12.37%	12.83%	12.92%	13.21%	13.29%	13.60%	13.74%	13.76%	13.74%	13.74%	13.64%		13.35%

- 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		

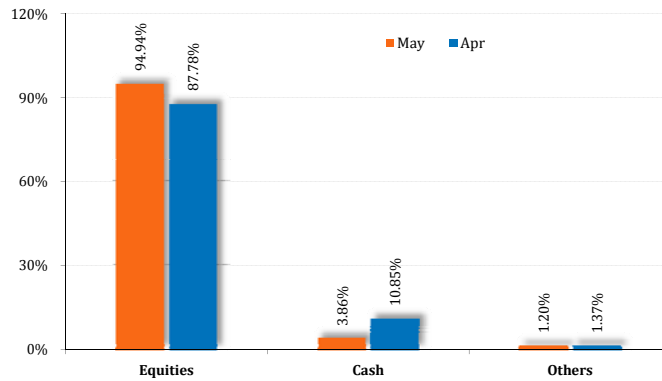
Fund Statistics

Fund Size (Pkr mn):	358
NAV (Pkr):	131.7755
Standard Deviation:	0.111
Information Ratio:	0.027
Beta:	0.94

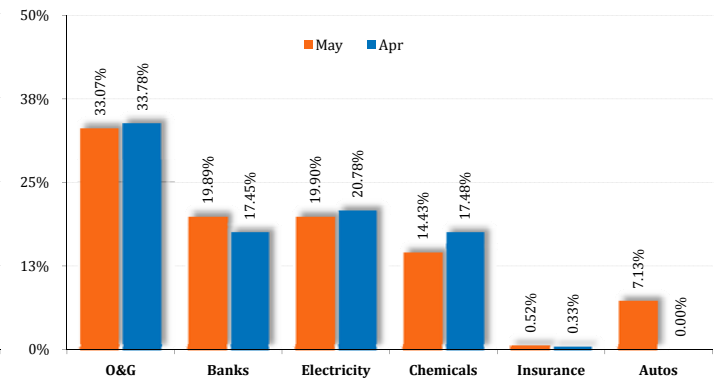
Fund Performance

	IGI SF	BM
YTD (Jul '10 - May '11):	30.38%	24.70%
Month (May '11):	-0.83%	0.54%
Since Inception:	118.48%	10.61%

Asset Allocation (as % of Total Assets)



Asset Allocation (Sector wise)



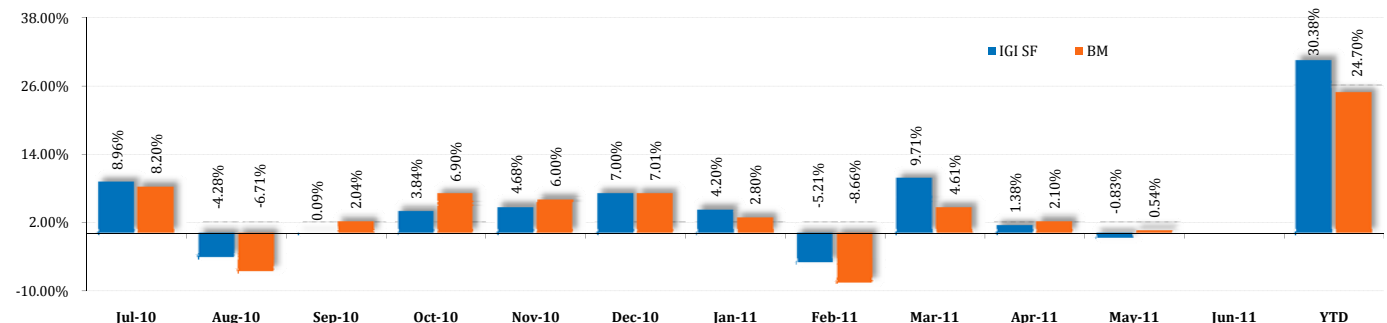
Fund Activity

The month witnessed low activity on the equity front with dry market volumes as uncertainty prevailed over budget outcomes. The market traded within narrow band and provided opportunities for buying at dips. IGISF capitalize on the opportunity by trimming its exposure from Chemical sector owing to Gas supply problems and invested it in Banks and Auto sector. The major allocation still rests with Oil & Gas sector followed by Electricity and Banking sectors. Going forward, the Fund plans to maintain its exposure in equities having strong fundamentals with a view that the equity market will perform positively post June. The quarter is expected to observe the general historical trend of volatile movement in equities with low volumes.

Top 10 Equity Holdings (% of Net Assets)

	May	Apr
Hub Power	10.06%	9.57%
Kot Addu Power	10.01%	8.58%
Fauji Fertilizer	9.61%	9.62%
Pak Petroleum	9.21%	8.54%
United Bank	9.04%	8.30%
Pak Oilfields	9.03%	6.88%
National Refinery	8.14%	5.13%
Millat Tractors	7.19%	0.00%
Pakistan State Oil	6.96%	6.88%
MCB Bank	5.96%	6.73%

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:	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):	2,437
NAV (PkR):	100.7704
Wtd. Average Maturity (months):	1.98
Standard Deviation:	0.0486
Sharpe Ratio:	-0.25
Information Ratio:	0.55
Expense Ratio:	1.11%

Fund Performance

	IGI MMF	BM
YTD (Jul '10 - May '11):	11.78%	8.86%
Month (May '11):	11.28%	9.38%
Since Inception:	11.79%	8.71%

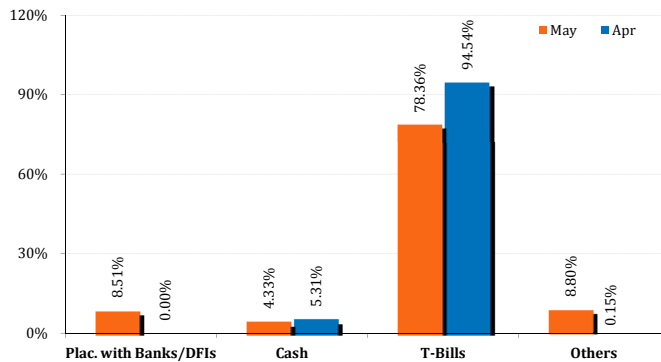
- Standard Deviation, Sharpe Ratios have been calculated using Rolling Returns

- 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

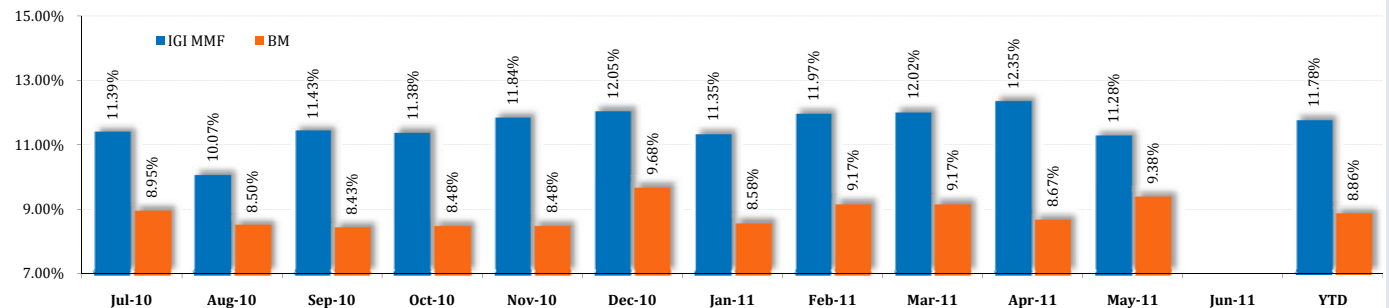


Fund Activity

The Fund reshuffled its exposure in T-Bills due to volatility in the secondary market. Part of the divestment proceeds were allocated to higher yielding placements with DFIs. IGI MMF also enhanced its holdings in the mid term paper, allowing the capture of higher yields. In addition, the Fund announced its monthly payout of PKR 0.9391 per unit held by income unit holders. This translates into a bonus payout of 0.9325 units per 100 units held by growth unit holders.

Going forward, IGI MMF will reap the high yields being offered by the banks for June crossing and will maintain a strong presence in T-Bills. However, the downward phasing of yields due to excess liquidity will increase interest in the mid term papers. The Fund will also consider short term placements with FI's to lock in rates.

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: 'A+ (f)' by PACRA

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

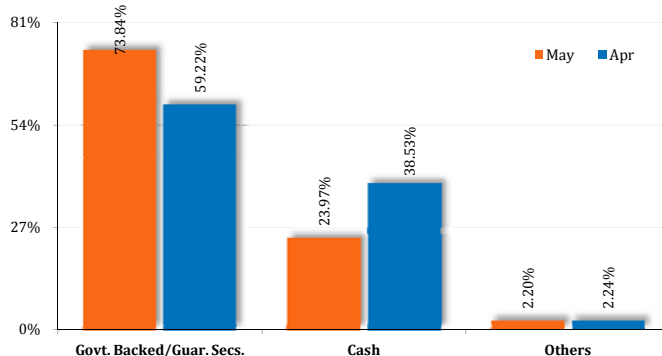
Fund Size (PkR mn):	502
NAV (PkR):	102.5773
Wtd. Average Maturity (months):	2.27
Standard Deviation:	0.0068
Information Ratio:	1.90
Expense Ratio:	1.90%

Fund Performance

	IGI IIF	BM
YTD (Jul '10 - May '11):	10.06%	8.58%
Month (May '11):	10.55%	8.68%
Since Inception:	9.98%	8.31%

- 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

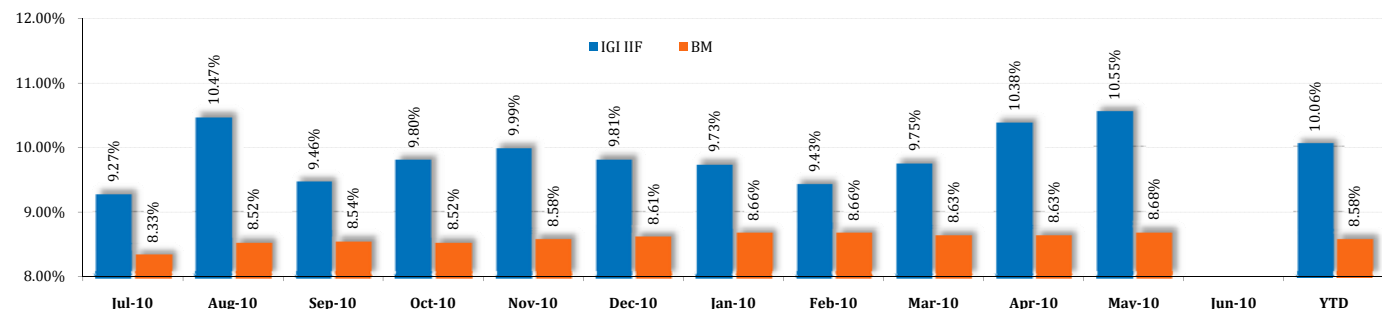
During the month under review, the Fund maintained its focus on investment in risk free instruments. The month observed auction of GOP Ijara Sukuk VIII in which GoP accepted PKR 45.8bln at weighted average cut-off of 6M T-Bill. The Fund participated in the auction which raised the exposure in Ijara Sukuks to 74% approx. The investment in Ijara Sukuks raised the Fund's overall yield to above 10.55% level for the month.

Going forward, the Fund plans to maintain its strategy of focusing on high yielding risk-free shariah compliant instruments to provide its unit holders a consistent returns with low risk.

Sukuk Holdings (% of Net Assets)

GoP Ijara - IV	20.31%
GoP Ijara - V	11.95%
GoP Ijara - VII	24.89%
GoP Ijara - VIII	16.92%

FY11 Rolling Returns



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IGI Aggressive Income Fund

Rated: "BBB(f)" by PACRA

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:	1.00%
Risk Profile:	Low

Management Fee:	2.00%
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

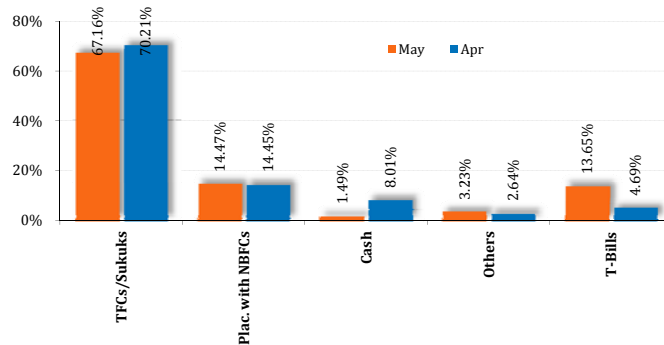
Fund Size (PkR mn):	760
NAV (PkR):	43.6788
Wtd. Average Maturity (months):	33.86
Standard Deviation:	0.2131
Sharpe Ratio:	-0.92
Information Ratio:	-0.95
Expense Ratio:	2.55%

Fund Performance

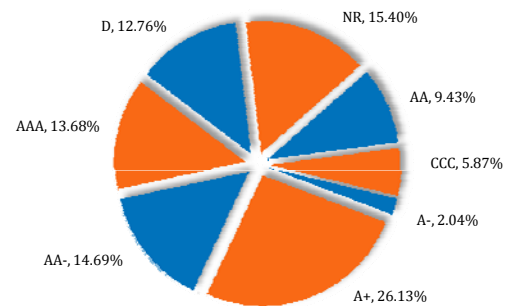
	IGI AIF	BM
YTD (Jul '10 - May '11):	-8.35%	13.27%
Month (May '11):	7.34%	13.64%
Since Acquisition:	-5.62%	13.49%

- 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

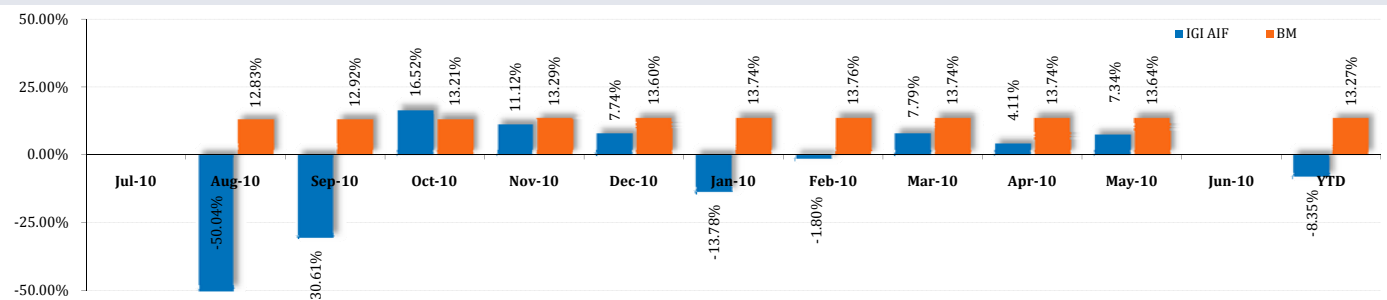
The Fund offloaded its holding of B.R.R. Guardian Modaraba Sukuk at a favorable price. The bond was restructured recently and a coupon payment was received. The holding was under provisioning as per the provisioning policy of the Fund. The available liquidity was parked in T-Bills having maturity less than 90 days which raised the exposure to the instrument to 13% approx.

Going forward, the Fund plan to add higher-yielding corporate bonds having high credit rating to its portfolio. The exit opportunities will be sought for holdings of Agritech and Azgard Nine TFCs. The exposure to T-Bills will be maintained at minimum of 10% of net assets.

TFC/Sukuk Holdings (% of Net Assets)

Pak Mobile Communication - (28-Oct-08)	20.71%
Kohat Cement - (20-Dec-07)	9.76%
UBL Bank - (14-Feb-08)	9.43%
NIB Bank - (05-Mar-08)	5.41%
Bank Alfalah - (2-Dec-09) - Fixed	5.11%
Askari Bank - (18-Nov-09)	4.08%
Agritech Limited - (30-Nov-07)	3.88%
Bank Alfalah - (2-Dec-09) - Floater	4.00%
Vision Devp. Pvt - (30-Nov-08)	2.96%
Azgard Nine - (04-Dec-07)	2.00%

FY11 Rolling Returns



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