

# IGI Income Fund

Fund Manager's Report - November 2008

## Fund Facts

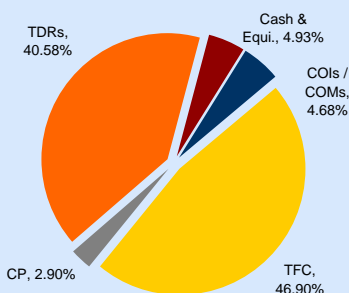
Management Company	IGI Funds Limited	Benchmark	1-month KIBOR
Fund Type	Open-end	Fund Size (Net Assets)	PKR 1,430 Million
Fund Lifespan	Perpetual	NAV per Unit	PKR 98.3180
Launch Date	April 14, 2007	Duration (months)	3.56
Dealing Frequency	Daily	Standard Deviation	0.14
Capital Gains Tax	As per tax laws	Sharpe Ratio	(0.27)
Pricing	Forward Day	Information Ratio	(0.25)
Sales Load	Currently 0%	Return (absolute for Nov '08)	-5.54%
Asset Class	Fixed Income	Expense Ratio *	1.99%
Management Fee	1.25%		
Holding Period	None		
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		

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

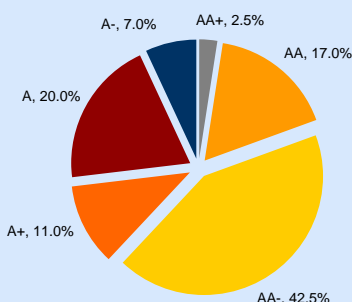
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using Since Inceptopn returns. Sharpe Ratio is benchmarked against 3-month T-Bill, while Information Ratio is against 1-mth KIBOR.

## Fund Position as at November 28, 2008

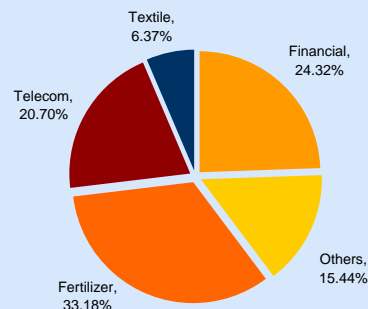
### Asset Allocation



### 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 perform

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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 - November 2008

### Environment

As widely anticipated, the first tranche of US \$3.10 billion (of the total amount of US \$7.60 billion) received last week from the IMF, is expected to benefit the ailing economy of the country. The State Bank of Pakistan (SBP) lowered a) CRR by 100bps (collectively 500bps reduction since FY08) and b) the discount rate by 200 bps to 15%. This is in line with the IMF's aim of reducing the differential between nominal rates and inflation.

Inflation for the period Jun 08 - Oct 08 stood at 24.60%, while for the month of October, inflation (on YoY basis) stood at 25%. It is expected to decline from current levels as oil price-reversal is passed to the public.

1-Month and 6-Month KIBOR averaged 14.29% and 15.60% respectively with rates being sticky on the higher side due to a rise in the discount rate. KIBOR based financing helped exert pressure on tenors, especially on the 6-mth KIBOR financing.

### Future Outlook

Interest rates are expected to escalate further for the month of December due to a) a surge in withdrawals for the festive holidays, (Eid-ul-Azha) and b) deposits being chased by commercial banks nearing their accounting year-end.

A shortage of funds is likely to put pressure on the interbank market with unsecured borrowing expected to carry higher spreads relative to the secured borrowing.

The IMF agreement has stressed the maintenance of Net Foreign Assets (NFA) at certain predetermined levels. If NFA declines below these levels, the SBP will have to increase interest rates further. Based on the agreement with IMF, we expect another 100 bps increase in the discount rate in January 2009 to 16%.

### Fund Activity

The fund focused on placements of lower duration to maintain liquidity and avail the timely benefit of rising interest rates.

Maturing funds were rolled over on weekly tenors where as exposure in CFS MK-II was ignored altogether in anticipation of higher default risk. The CFS financing remains highly risky in absence of normalization of the stock exchange.

### Fund Performance

The Net Assets of the Fund stood at PkR 1.430 billion and the NAV per unit stood at PKR 98.3180 for the period under review.

The downwards revaluation of the TFC's ranging from 5% to 30% as directed by the SECP on Nov 5, 2008 resulted in a one off impact on the NAV, similar to other asset management companies. IGIIF's NAV declined by 6.37% due to this, however, the decline was one of the lowest amongst the peer group. Among the peer group, the greatest decline was -30.63% and the average decline was -7.78%. Since inception, the Fund had never posted a decline in the NAV, until the revaluation letter from SECP to markdown discounts on TFCs in proportions to the ratings. Previously IGIIF, was revaluing the TFCs as per daily prices on MUFAP website, as a regular rule.

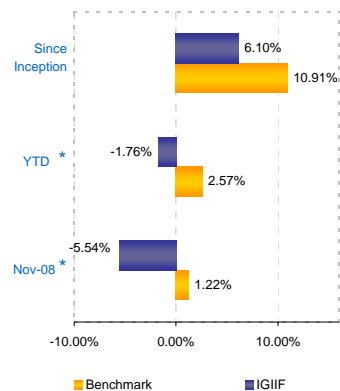
The weighted average duration of the portfolio was largely unchanged at 3.56 months from 3.53, a month earlier.

IGIIF continues to offer low volatility of returns, reflected by one of the lowest standard deviation amongst peer funds at 0.14.

### Fund Strategy & Outlook

The fund expects higher yields ahead as some of the corporate bonds are re-set (coupons) and maturities of long-term placements are likely to be placed at relatively higher yields.

### Returns Comparison



\* Returns are based on absolute basis

### \* 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 Funds Limited

7th Floor, Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi-74200, Pakistan

UAN: (+92.21) 111.FOR.IGI (111.367.444) Fax: (+92.21) 227.2415

E-mail: funds.services@igi.com.pk

# IGI Stock Fund

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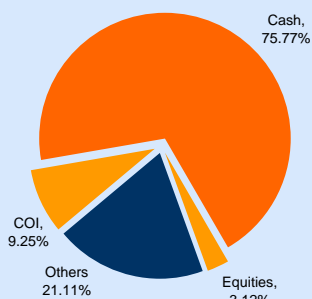
## Fund Facts

Management Company	IGI Funds Limited	Benchmark	KSE - 100
Fund Type	Open-end	Fund Size (Net Assets)	PKR 130 Mn
Fund Lifespan	Perpetual	NAV per Unit	PKR 97.15/-
Launch Date	July 15, 2008	Beta	0.035
Dealing Frequency	Daily	Standard Deviation	1.16
Capital Gains Tax	As per tax laws	Information Ratio	0.10
Pricing	Forward Day	Return (MTD)	0.65%
Sales Load	2.50%	Return Since Inception	-2.85%
Asset Class	Equities		
Management Fee	2.00%		
Holding Period	None		
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		

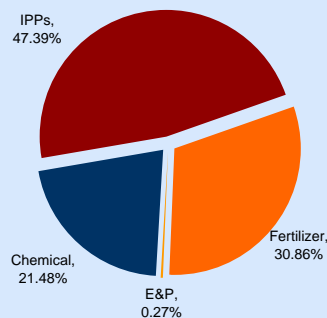
Note: Standard Deviation and Information Ratio have been calculated using daily returns

## Fund Position as at November 28, 2008

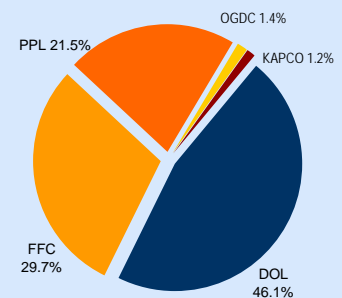
### Asset Allocation



### 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 - November 2008

### Environment

The KSE-100 remained a ghost town for the month of November, with main activity taking place off market in the C2C arena. The offloading discount, previously at 20% to market prices, plummeted to 40% as strategic disposal was undertaken by investors.

The CPI rate maintained itself at 24.6% in the face of falling commodity prices. The Forex Reserves regained stability in the face of the IMF loan of USD 7.6Bn. The first tranche of USD 3.1Bn has pushed the reserves to USD 9.4Bn from USD 7Bn last month.

Despite the loan, the market remains depressed. Capitalization in CFS is only PKR 11Bn, whereas the cap stands at PKR 55Bn. The average CFS rate is 80%, but there seems to be no interest due to chances of default in the market. In addition, the 200 bps rise in interest rate, as stipulated by IMF, has kept KIBOR high. Banks are maintaining liquidity and staying close to home by investing in T-Bills and Short term instruments.

### Future Outlook

Less working days due to Eid and Christmas holidays, coupled with the ongoing index freeze suggests continued subdued activity in the market for December. Without a clear date for removal of floor and the absence of a government support package, the bearish trend in the KSE looks set to continue once the floor is removed.

The regional peer markets have declined by nearly 30% since the implementation of the floor. The KSE C2C market is currently transacting at a 40% discount. Further discounting can be assured once the floor is removed. In such a case, long term investments can be made on undervalued and/or dividend yielding scrips.

### Fund Activity

The fund maintained its exposure of 3.12% in equities, as the frozen market scenario was not conducive for trade positions. The discounted prices, albeit attractive, did not clearly relay the market conditions due to low volumes, making actual price discovery impossible. Hence, the C2C market requires tempering before stabilizing and reflecting true market sentiments.

In the meantime, the Fund was deployed into fixed income avenues at attractive rates to continue accumulating gains for its unitholders.

### Fund Performance

Since its inception, the Fund registered a downside of only 2.85% as opposed to a significant fall of 16.18% in the benchmark.

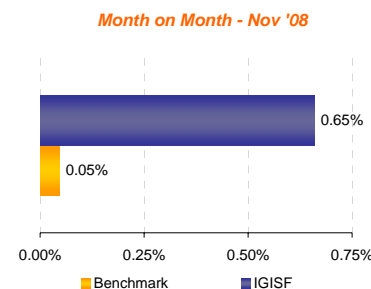
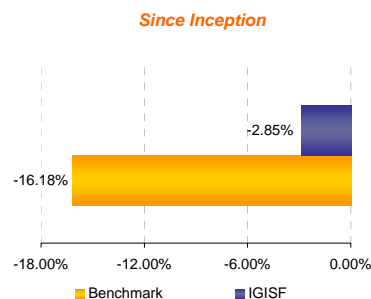
On a MoM basis, the Fund increased by 0.65% against a 0.05% hike in benchmark. This was an outperformance of 0.6% for the month.

### Fund Strategy

The Fund's strategy will be to maximize unitholder's return, whilst minimizing risk. We will be concentrating on increasing exposure in high dividend yielding scrips, at discounts in excess of the current C2C levels. Once the floor is removed, our accumulation will increase inline with the depreciating index level.

In addition, we shall also concentrate on short term, low risk fixed income placements at returns in excess of the market.

### Returns Comparison



## IGI Funds Limited

Suite 701 - 713, 7th Floor, The Forum, Block 9, Clifton, Karachi  
UAN: (+92.21) 111.FOR.IGI (111.367.444) Fax: 111 567 567, (+92.21) 530 6750  
E-mail: funds.services@igi.com.pk