

IGI Income Fund

Fund Manager's Report - October 2009

IGI Income Fund Rated "3 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)	4.83
Standard Deviation	0.12
Sharpe Ratio	-0.14
Information Ratio	-0.18
Expense Ratio *	1.56%

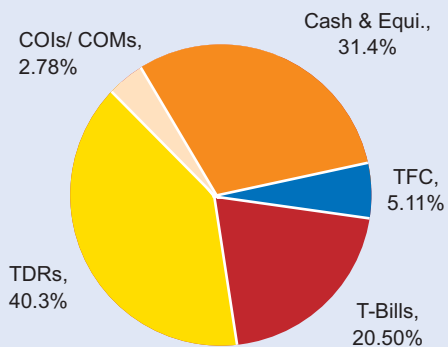
	October '09
Fund Size (PKR mn)	2,085
NAV (PKR)	103.5611
Monthly Return	9.77%

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

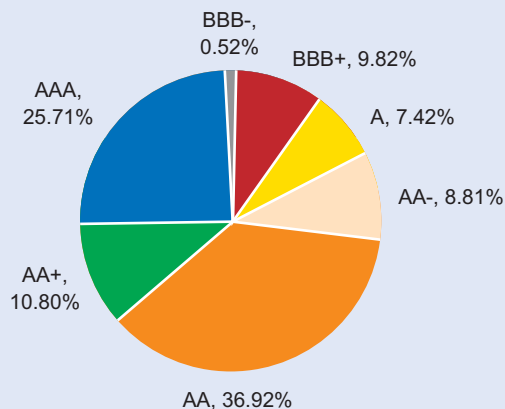
Note: Standard Deviation, Sharpe and Information Ratios have been calculated using Since Inception returns. Sharpe Ratio has been calculated against 3-month T-Bill while Information Ratio is against Benchmark.

Fund Position as at October 30, 2009

Asset Allocation



Credit Splits



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 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 - October 2009

Environment

The money market grew tighter, especially towards the month-end. The State Bank of Pakistan (SBP) conducted a series of OMOs to ease the illiquid market. In view of the backdrop, KIBOR rates rallied higher at the end of the month under review. Furthermore, the liquidity situation is highly dependent on the foreign pledged inflows of FoDP, along with the external account indicator recovering substantially from surplus current account balance.

Foreign exchange reserves settled at US\$14.50 bn, coupled with lowering inflation, have built the country's image to be stronger and better compared to the previous few months.

The CPI for Oct '09 stood at 8.87% Y-o-Y, a decline from previous month's 10.10% Y-o-Y. Therefore, the discount rate cut by 50bps is highly likely to be announced in the upcoming Monetary Policy's decision at November-end; which will also be the last review for the current calendar year.

Future Outlook

Improvement in economic numbers especially in Current Account Deficit (CAD); foreign inflows on account of economic aid from IMF and growth in remittances indicating a rate cut during the upcoming monetary policy review on Nov 24, 09'. We expect that the reduction in policy rate would be favorable for improving liquidity in the market and will ease pressure on account of Non Performing Loans (NPLs) of the banking sector. Furthermore, this would accelerate loan growth and improve working capital requirement of borrowers. However, hike in energy tariffs, power outages and law and order situation will continue to pose question mark on economic growth.

Fund Activity

The Fund deployed cash from the Cash & Cash Equivalents to participate in T-Bill auctions during the period under review. A healthy accumulation of the treasury bills, carrying no default risk, provided a comparatively higher yield to the portfolio and with anticipation of capital gains in a falling interest rate scenario. Term Deposit Receipts (TDRs) matured during the month, in expectation of higher rates to follow in the wake of tighter liquidity situation.

Furthermore, the Fund also accumulated a small proportion of good rated TFCs in the portfolio that are expected to contribute comparatively better returns against bank placements.

Fund Performance

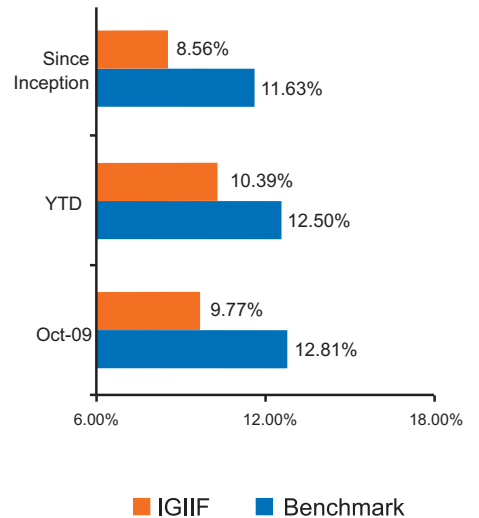
The Fund closed the month with net assets of PKR 2,085 million, with the NAV standing at PKR 103.5611. The Fund currently enjoys a Standard Deviation of 0.12 and an Expense Ratio of 1.56%.

The Fund's yield remained attractive in comparison to deposit rates offered by banks. Preservation of the capital, and additional income on investments of the investor remains the prime objective of the Fund.

Fund Strategy

The Fund is expected to make placements in short term tenors, for rollover of TDRs. Furthermore, to boost yield the Fund plans to gradually build up a high quality TFC portfolio in instruments that have exhibited least volatility and sound rating. We also expect to maintain a sizeable position in T-bills as rates are attractive at current levels.

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 - October 2009

IGI Stock Fund Rated "5 Star" by PACRA
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

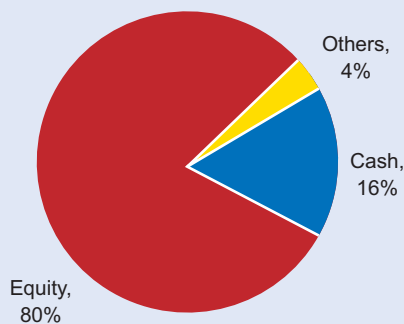
Fund Stats

Beta	0.81
Standard Deviation	0.02
Information Ratio	0.18
Return (since incep.)	66.18%
	October '09
Fund Size (PKR mn)	506.91
NAV (PKR)	134.53
Monthly Return	-3.42%

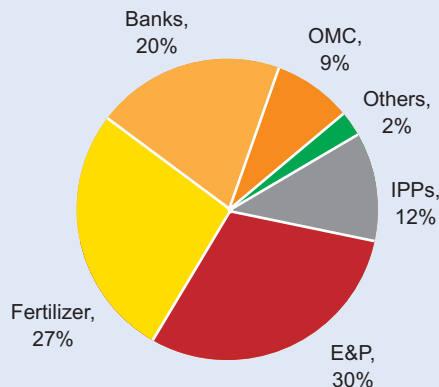
Note: Standard Deviation and Information Ratio have been calculated using daily returns.

Fund Position as at October 30, 2009

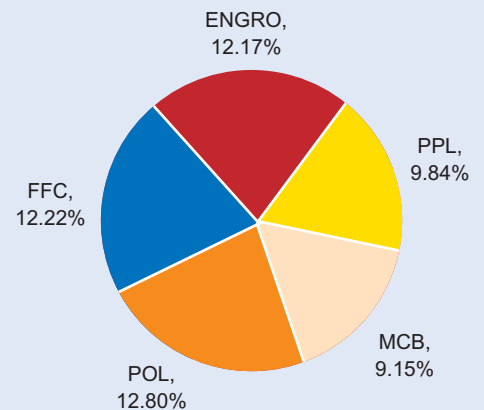
Asset Allocation



Sector Allocation*



Top Five Holding*



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

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IGI
Funds

www.igifunds.com.pk 0800-2-34-34

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 - October 2009

Environment

Dwindling FPI flows (down 70% MoM to USD 38mn), increased security concerns, heightened political noise, a mixed set of corporate results for Sept quarter and rising oil prices (macro & intercorporate debt concerns) saw momentum at KSE slow down during Oct-09. Following 31% return for 3Q09, KSE-100 index receded 1.95% in Oct. Volumes depicted a decline of 19% where second tier stocks contributed higher share of volumes (KSE-30 vol as %age of total volume declined by 5% to 86% in Oct)

Future Outlook

While FPI flows will remain a swing factor and updates from IMF quarterly review in Nov will reflect in market sentiments, KSE could largely witness continuation of Oct-09 behavior for most of Nov-09. However, the key event will be announcement of Monetary Policy Statement (MPS) in end Nov. Despite recent liquidity pressures, inflation down to 10.12% and current account deficit down 89% YoY in 1QFY10 have kept expectations alive of potential cut in discount rate from 13% levels. We expect a 50-100bp cut, but SBP's view on expected foreign inflows from donors and IFIs remains the key risk to this reduction.

Fund Activity

IGISF maintained greater exposure in Oil driven sectors, as the month saw rapid appreciation in the commodity prices. In addition, Fertiliser offered strong fundamental growth at discounted levels. Exposure in Commercial Banks was reduced as abysmal quarter earnings and threats of maturing NPL's rendered the sector at a premium to the market average.

Fund Performance

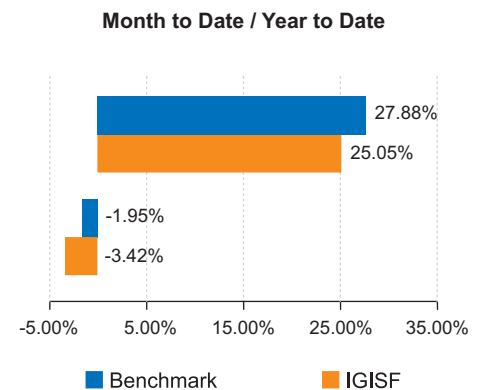
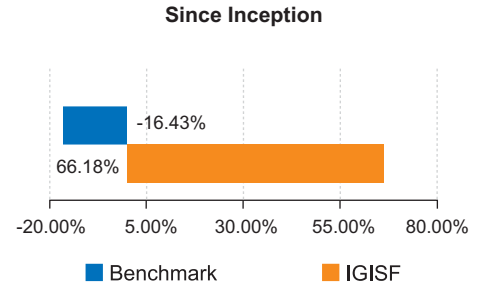
IGISF generated MTD and YTD returns of (3.42%) and 25.05%, respectively for the period under review. During the same period, the BM generated (1.95%) and 28.52%, respectively. The Fund's exposure rested at 80.29% in equities for the month.

The Fund enjoys a Beta of 0.80, showing its close relation to the BM, and an Information Ratio of 0.18, the highest amongst its peers.

Fund Strategy

Going forward, IGISF will maintain a strong presence in equities. This will enable NAV appreciation as and when the market ascends due to positive indicators previously described. Focus will remain of fundamentally strong scrips at their optimum technical levels.

Returns Comparison



IGI Funds Limited

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