

Monthly Fund Review

October, 2010 Issue

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IGI Funds Limited
Rated "AM3" by PACRA

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Economic & Capital Markets Review

Economic Review

SBP in its policy statement raised the Discount Rate by 50bps to 13.50% with effect from Sep30'10. The Governor SBP justified the increase due to unrelenting inflation, high government borrowing and deteriorating macroeconomic imbalances. The statement also highlighted government's increasing reliance on SBP for deficit financing. According to provisional figures the GoP borrowed Rs. 220 billion during 1Q11, compared to Rs. 126 billion during the corresponding period of last year which is worrisome for future inflation.

Moreover, the dependence on foreign borrowing has also increased due to continuous decline in domestic national savings and private FDI in the country. This could augment NPLs and reduced private sector credit offtake thus forcing the banks, which have already taken the hit of floods, to meet government's borrowing requirements at the cost of private investment in the economy. For 2Q FY11 the SBP has set a target of Rs. 685bn for sale of TBills against maturing amount of Rs. 614.15bn. This is a net target of around Rs. 71bn compared to net target of Rs. 60bn in the corresponding period last year.

On the macroeconomic front, Current account has shown surplus of \$447mn during September. This leaves 1Q11 overall deficit figure standing at \$545 million which was \$587mn in the corresponding period last year. This was primarily attributed to Flood Aid. In addition, 13.5 per cent growth in exports and same percentage growth was witnessed in Remittances as compared to the Corresponding period last year. September Inflation worsened to 15.71%, on the back of soaring food inflation. The average Inflation for 1Q11 stands at 13.77%.

Money Market Review

On the money market frontier, following the increase in policy rate the benchmark 6-month KIBOR increased by around 31bps to average at 13.21%, an increase of 25 bps. Discount on government securities also broadened significantly with 3-month T-bill trading in the band of 12.60-12.78%; 6-month paper around 12.95%-13.05%.yield. Rates in 1-year Bill inched up to 13.19%. Moreover longer end of the yield curve also lifted with 10yr PIB around 13.80%-13.90%. The State Bank of Pakistan conducted two T-Bill auctions during the month of October. As a result of rise in Discount rate, cut off yields swelled on Treasury Bills across all tenures. The central bank achieved its target by selling a total of Rs. 80bn of Treasury Bills in the auction. While in the second auction, yields fell marginally. The SBP sold bills worth Rs.116.7bn against the set target of Rs.95 bn. The plunge in the rates is attributed to the improved liquidity in the market.

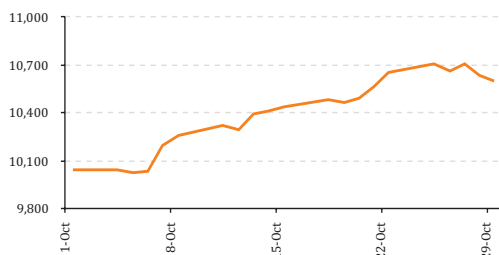
While on the longer end of the yield curve following the increase in Treasury bills yields, PIB cut off yields rose sharply, clearly on the basis of unvented pressure from previous auctions. Bids worth Rs. 5.7 bn were accepted against the set target of Rs.20bn, majority of which were for 10-Year PIB. The Ministry Of Finance rejected the 7yr, 15yr, and 30yr bids. The cut-off yields on 3yr and 10yr Bonds increased by 141bps each to 13.8975% and 14.0998%, 5yr PIB rose by 145bps to 13.9991% while the 20yr paper hopped by 110bps to 14.1993%.

Equity Market Review

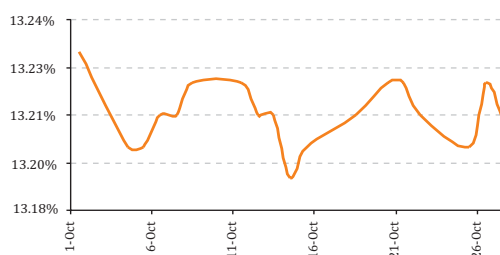
The Stock market showed resilience during the month and gained 553 points to close at the level of 10,598.40. The month started with KSE-100 Index at 10,045.3 and went to a six months high of 10,704.16. This buoyancy was not expected as a discount rate Hike to 13.5% in MPS was considered to be detrimental to the index. However, local investors showed optimism on developments regarding the new leveraged product and foreign investors' activity. Besides, corporate results provided the impetus to the equity market this month as all blue chips announced their earnings for the Quarter ended Sep' 10 pushing the index further up. During the month, the average trading volume at ready counters increased to 105 mn Shares

The Net Foreign Portfolio Investment (FPI) during the month was \$31.825 mn which was \$22.352 mn in the preceding month. This increase of 42% shows foreign Investor's Interest in the Bourse. Despite an overall upbeat sentiment that prevailed throughout the month, the market finally underwent a technical correction and bearish activities were witnessed after major earning results. As of last week, the Foreign Portfolio Investment fell into category of Net Selling -\$2.762 mn.

KSE 100 Movement



KIBOR Movement



Members of Investment Committee

Chairperson	Maheen Rahman , Chief Executive Officer (CEO)
Member	Syed Muhammad Zeeshan , Chief Financial Officer (CFO)
Secretary	Muddasir Ahmed Shaikh , Chief Investment Officer (CIO)
Member	Syed Saifullah Kazmi , Portfolio Manager

IGI Income Fund

Rating: "3 Star" by PACRA

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.

Basic Fund Information

Category:	Income Scheme	Sales Load:	Nil
Fund Type:	Open Ended	Management Fee:	1.25%
Benchmark:	6 Month KIBOR	Min. Initial Investment:	PkR 5,000/-
Launch Date:	April 14, 2007	Min. Subsequent Investment:	PkR 1,000/-
Par Value:	100.00	Trustee:	CDC Pakistan Limited
Pricing:	Forward Day	Auditor:	KPMG, Taseer Hadi & Co.
		Listing:	Lahore Stock Exchange

Fund Statistics

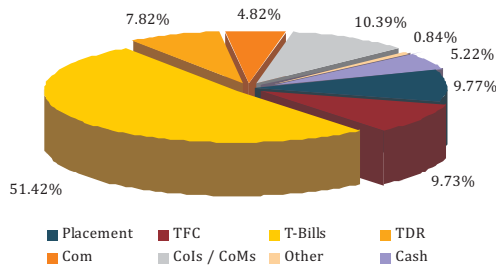
	Sep, 2010	Oct, 2010
Fund Size (PkR mn):	2,025	1,962
NAV (PkR):	103.1768	101.0780
Duration (Months):	3.70	4.26
Standard Deviation:	0.304	0.215
Sharpe Ratio:	-0.74	-0.81
Information Ratio:	-1.10	-1.16
Expense Ratio:	1.58%	1.60%

Fund Performance

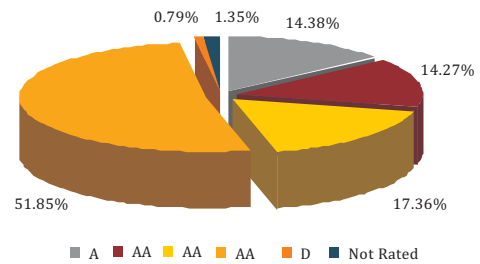
	IGI IF	BM
Month (Oct '10):	9.96%	13.21%
YTD (Jul '10 - Oct '10):	11.36%	12.83%
Since Inception:	9.36%	12.84%

- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns
 - Sharpe Ratio has been calculated against average 3-month T-Bill yield.
 - ** Ratio of total expenses including management fee to the average annual net assets.

Asset Allocation



Credit Split



Fund Activity

IGI IF completed the period under review with net assets of 1,962mn; 3.13% lower than the previous month. On a MoM basis, the Fund accrued a return of 9.96% as compared to 12.82% in September. The decline in accrual sourced mainly from downward revaluation of Corporate Bonds in the last week of the month under review. The management is confident that the returns will normalize at previous levels, going forward, as the focus will be kept on high yield placements bearing lower volatility.

In October, the Fund utilized the excess cash in shorter tenor T-Bills and Money Market placements. The exposure in shorter tenor T-Bills was enhanced to capture the higher yields. The bottom line was bolstered by short term LOP placements.

Going forward, money market yields are likely to rise across all assets offering attractive opportunities. The Fund plans to capture the high yielding TDRs with maturity falling post December as rates are expected to be attractive.

Details of Non Compliant Investments

Instrument	Type of Investment	Value of Investment before Provisioning	Provisioning Held, if any	Value of Investment after Provisioning	% of Gross Assets	% of Net Assets
Bunnys Limited	Term Finance Certificate	15,082,500	-	15,082,500	0.77%	0.77%
Pak Hy Oils Limited	Term Finance Certificate	11,250,000	(5250,000)	6,000,000	0.31%	0.31%
Vision Dev. Pvt. Limited	Term Finance Certificate	8,726,250	-	8,726,250	0.44%	0.44%
BRR Guardian Modaraba	Certificate of Musharaka	15,456,166	-	15,456,166	0.79%	0.79%

FY11 Rolling Returns

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	YTD
IGI IF	10.24%	12.37%	12.82%	9.97%									11.36%
BM	12.76%	12.83%	12.92%	13.21%									12.83%

IGI Stock Fund

Rating: "4 Star" by PACRA

Investment Objective

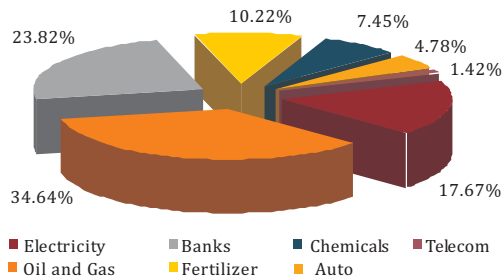
The investment objective of IGI Stock Fund (IGI SF) is to seek long-term capital growth by investing primarily in a diversified pool of equities and equity related instruments, management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws.

Basic Fund Information

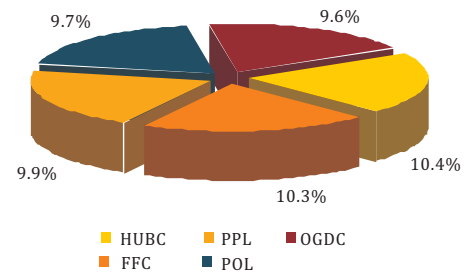
Category:	Equity Scheme	Sales Load:	2.50%
Fund Type:	Open Ended	Management Fee:	2.00%
Benchmark:	KSE-100	Min. Initial Investment:	PkR 5,000/-
Launch Date:	July 15, 2008	Min. Subsequent Investment:	PkR 1,000/-
Par Value:	100.00	Trustee:	CDC Pakistan Limited
Pricing:	Forward Day	Auditor:	KPMG, Taseer Hadi & Co.
		Listing:	Lahore Stock Exchange

Fund Statistics	Sep, 2010	Oct, 2010	Fund Performance	IGI SF	BM
Fund Size (PkR mn):	382	392	Month (Oct '10):	2.60%	5.84%
NAV (PkR):	105.5014	108.2411	YTD (Jul '10 - Oct '10):	7.10%	9.02%
Beta:	0.66	0.94	Since Inception:	33.71%	(3.30)%
Standard Deviation:	0.936	1.336			
Information Ratio:	0.12	0.11			

Asset Allocation



Top Five Holdings



- Asset Allocation and Top Five Holdings are indicated as percentage of total equity holdings.

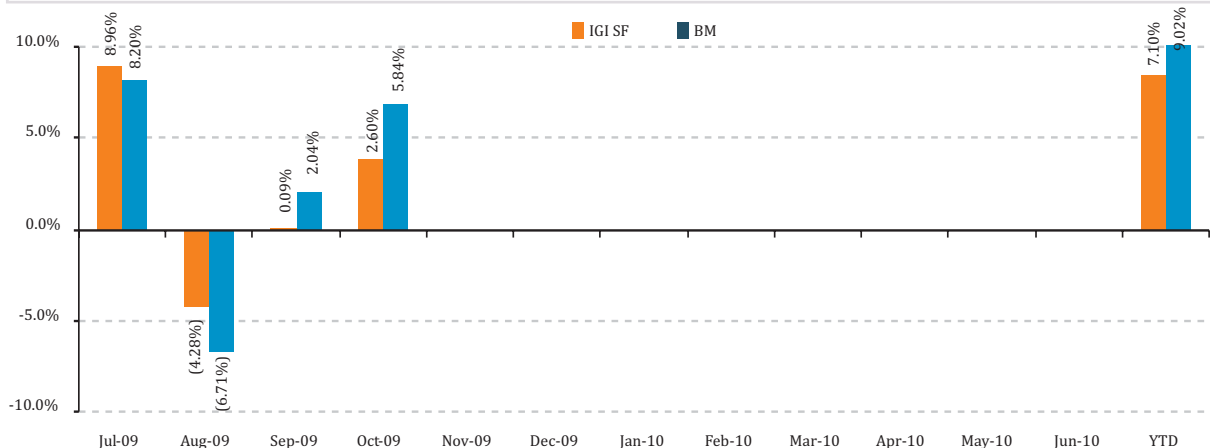
Fund Activity

IGI SF closed the month with an MTD return of 2.60% and YTD return of 7.10%, whilst maintaining an exposure of 90% in equities.

The Fund strategy had envisioned a significant correction in the index when DR was increased by 50Bps in the last MPS. Therefore, exposure was reduced in accordance. Despite the negative aspect, the market did not falter but rallied by generating a MTD return of 5.84%. The gain was seen in oil and cement sectors, with some focus on smaller shares. In addition, the result season for the period provided enough cushion to keep the market from falling significantly.

Going forward, the strategy will be to maintain exposure whilst churning into sectors that have earning growth and upside potential. The bottom line will be added with some trading to realize short gains.

FY11 Rolling Returns



IGI Islamic Income Fund

Investment Objective

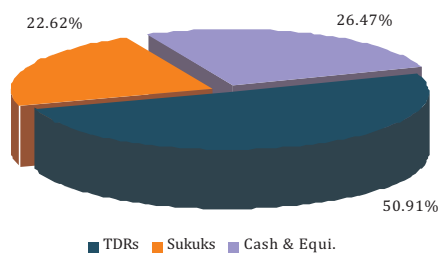
The investment objective of IGI Islamic Income Fund (IGIIF) is to minimize risk, construct a liquid portfolio of shariah approved fixed income investments and provide competitive returns to the Unit Holders. The management team shall ensure the active implementation of prudent investment practices, the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

Basic Fund Information

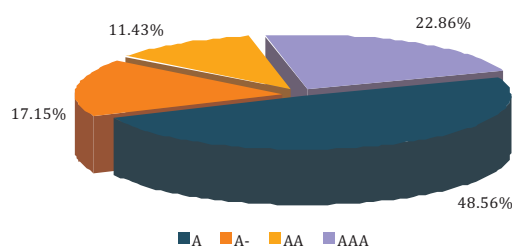
Category:	Islamic Income Scheme	Sales Load:	1.00%
Fund Type:	Open Ended	Management Fee:	1.50%
Benchmark:	Average 6 Months Deposit Rates of 3 Islamic Banks	Min. Initial Investment:	PkR 5,000/-
Launch Date:	December 3, 2009	Min. Subsequent Investment:	PkR 1,000/-
Par Value:	100.00	Trustee:	CDC Pakistan Limited
Pricing:	Forward Day	Auditor:	KPMG, Taseer Hadi & Co.
		Listing:	Lahore Stock Exchange

Fund Statistics	Sep, 2010	Oct, 2010	Fund Performance	IGI IIF	BM
Fund Size (PkR mn):	447	443	Month (Oct '10):	9.80%	8.52%
NAV (PkR):	102.5289	101.0027	YTD (Jul '10 - Oct '10):	9.75%	8.48%
Duration (Months):	5.86	6.35	Since Inception:	9.20%	8.11%
Standard Deviation:	0.231	0.211	<i>- Standard Deviation and Information Ratios have been calculated using Rolling Returns</i>		
Information Ratio:	1.58	1.66	<i>- * Ratio of total expenses including management fee to the average annual net assets.</i>		
Expense Ratio[*]:	2.03%	2.03%			

Asset Allocation



Credit Split

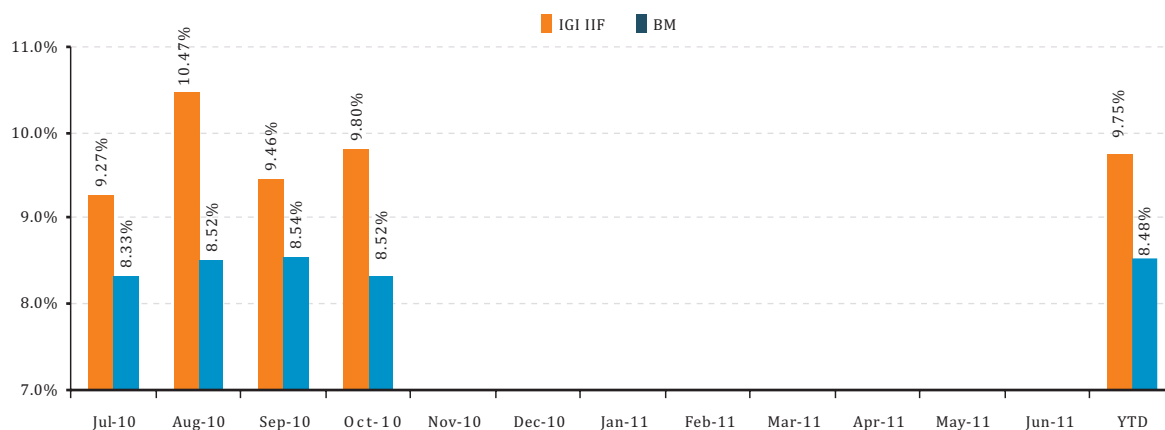


Fund Activity

In October, on MoM basis, the net assets of the Fund witnessed reduction of mere 0.87% to close the month at PkR 443mn. There was no major change in asset allocation of the Fund as the majority of the liquidity was kept invested in TDRs/COMs. Owing to lack of attractive investment opportunities in the Sukuk markets, the Fund continue to focus on daily profit account and fresh placements. Investment in Sukuks was maintained at same levels with attractive average yields.

The Fund was active in bank placements as most of the maturities were falling during the month. The maturing TDRs/COMs were either rolled at attractive rates or replaced with fresh placements in the shorter tenors. The increase in duration of the Fund shows the reshuffling of the placements portfolio. Going forward, the Fund plans to maintain its strategy of focusing on short term placements. Sukuks option may be considered if any attractive price is reached.

FY11 Rolling Returns



IGI Money Market Fund

Rating: "AA+ (f)" by JCR-VIS

Investment Objective

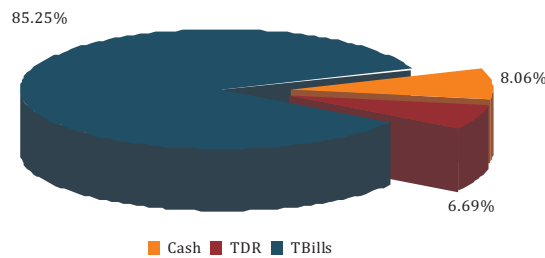
As an open-ended Money Market Scheme which shall seek to generate competitive returns consistent with low risk from a portfolio constituted of short term instruments including cash deposits, money market placements and government securities. The Fund will maintain a high degree of liquidity, with time to maturity of single asset not exceeding six months and with weighted average time to maturity of Net Assets not exceeding 90 days.

Basic Fund Information

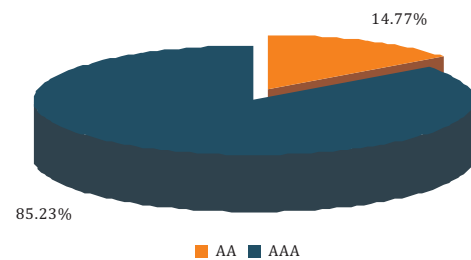
Category:	Money Market Scheme	Sales Load:	Nil
Fund Type:	Open Ended	Management Fee:	0.80%
Benchmark:	Average 3 Months Deposit Rate of 3 "AA" Rated Banks	Min. Initial Investment:	PkR 5,000/-
Launch Date:	May 27, 2010	Min. Subsequent Investment:	PkR 1,000/-
Par Value:	100.00	Trustee:	CDC Pakistan Limited
Pricing:	Forward Day	Auditor:	KPMG, Taseer Hadi & Co.
		Listing:	Lahore Stock Exchange

Fund Statistics	Sep, 2010	Oct, 2010	Fund Performance	IGI MMF	BM
Fund Size (PkR mn):	1,040	1,471	Month (Oct '10):	11.38%	8.48%
NAV (PkR):	102.6819	101.1433	YTD (Jul '10 - Oct '10):	11.04%	8.59%
Duration (Months):	0.38	1.83	Since Inception:	11.21%	8.34%
Standard Deviation:	0.279	0.244	<i>- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns</i>		
Sharpe Ratio:	-1.72	-1.96	<i>- Sharpe Ratio has been calculated against average 3-month T-Bill yield.</i>		
Information Ratio:	2.81	3.16	<i>- ** Ratio of total expenses including management fee to the average annual net assets.</i>		
Expense Ratio*:	1.17%	1.17%			

Asset Allocation



Credit Split



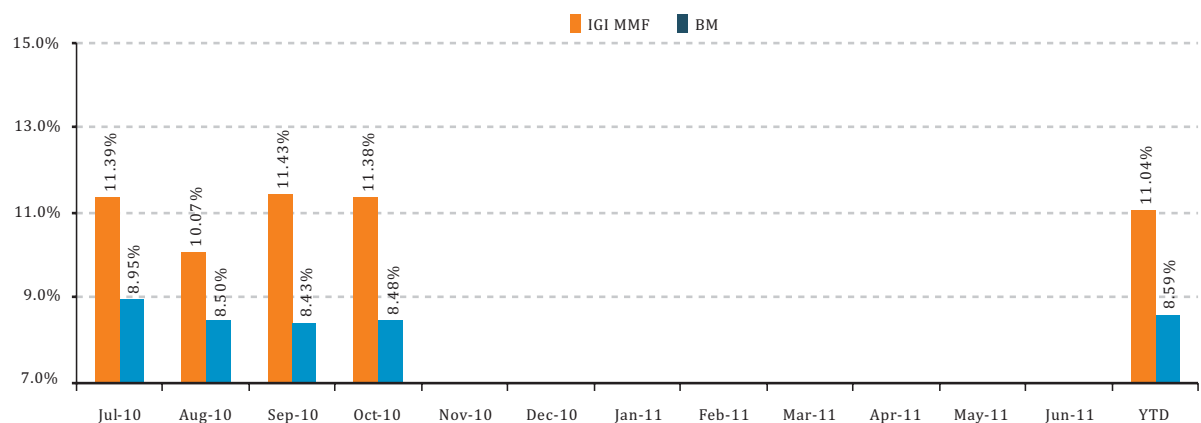
Fund Activity

IGI MMF completed the month under review with net assets of PkR1,471mn. The Fund accrued a return of 11.38% during the month under review. The higher allocation to shorter tenor T-Bills coupled with high yielding TDRs kept the yields higher.

With a view of securing higher yields, the Fund remained active on the money market front with increased allocation to T-Bills. The excess cash was directed to T-Bills which enhanced the overall exposure to 79% at the end of the period from 43% a month earlier. The higher allocation increased the volatility of the fund as the yields on short term T-Bills remained more volatile than the ones with longer maturity.

Going forward, the Fund plans to maintain its yields by focusing mainly on T-Bills whereas allocation to bank placements will also be enhanced to reduce volatility.

FY11 Rolling Returns



IGI Aggressive Income Fund

(Formerly Pak Oman BOP Advantage Plus Fund)

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	Sales Load:	1.00%
Fund Type:	Open Ended	Management Fee:	2.00%
Benchmark:	6 Month KIBOR	Min. Initial Investment:	PkR 5,000/-
Launch Date:	October 25, 2007	Min. Subsequent Investment:	PkR 1,000/-
IGI FL Acquisition Date:	August 06, 2010	Trustee:	CDC Pakistan Limited
Par Value:	50.00	Auditor:	KPMG, Taseer Hadi & Co.
Pricing:	Forward Day	Listing:	Karachi Stock Exchange

Fund Statistics

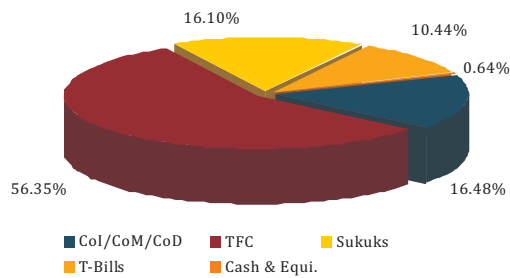
	Sep, 2010	Oct, 2010
Fund Size (PkR mn):	737	746
NAV (PkR):	42.3620	42.8797
Duration (Months):	4.46	4.59
Standard Deviation:	0.137	0.337
Sharpe Ratio:	-3.84	-0.99
Information Ratio:	-3.88	-1.01
Expense Ratio:	2.51%	2.51%

Fund Performance

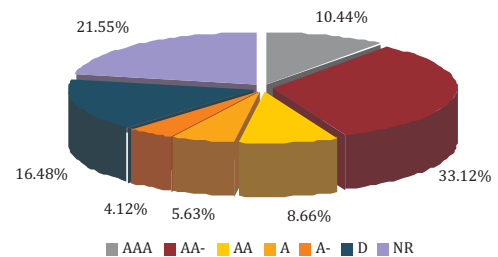
	IGI AIF	BM
Month (Oct '10):	16.52%	13.21%
YTD (Jul '10 - Oct '10):	-25.64%	12.84%
Since Acquisition:	-24.75%	13.00%

- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns
 - Sharpe Ratio has been calculated against average 3-month T-Bill yield.
 - ** Ratio of total expenses including management fee to the average annual net assets.

Asset Allocation



Credit Split



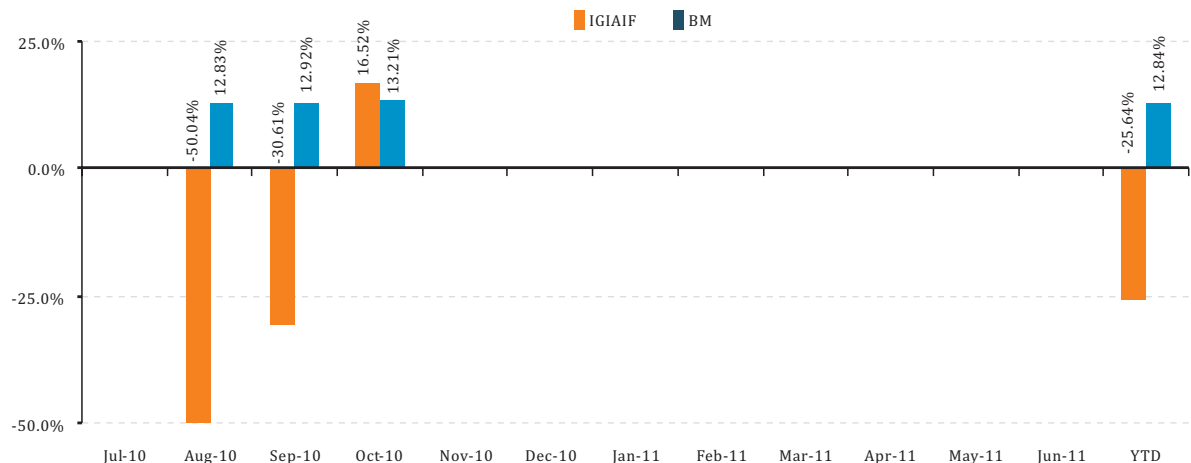
Fund Activity

IGI AIF completed the period with net assets of PkR746mn. On MoM basis, the Fund posted a return of 16.52% sourced mainly from favorable price movement of TFCs.

The Fund reduced its allocation to money market placements where the maturing placements were redirected to short term T-Bills at attractive yields. The allocation to corporate bonds and Sukuks remained the same as no favorable price settlement was achieved for any of the holdings.

Going forward, the Fund plans to reduce its existing exposure in troubled corporate bonds whereas the offloading proceeds will be redirected either to high rated corporate bonds offering attractive valuations or towards a combination of shorter tenor T-Bills and Bank placmenets.

FY11 Rolling Returns



“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 net 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

IGI Money Market Fund “AA+ (f)” (Double A plus (f)) stability rating by JCR VIS

AMC rated “AM3” by PACRA

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

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