

Monthly Fund Review

September, 2011 Issue

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

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Economic & Capital Markets Review

Economic Review

The MoF released the fiscal data for FY11, revealing higher than targeted fiscal deficit of 6.6% of GDP (5.9% of GDP if arrears of electricity subsidies are excluded). This was 130 bps higher than agreed IMF target for FY11. The overall revenue collection grew by 8.4% compared to 12%, a year earlier, despite additional taxation measures. In absence of external financing support and repayment of existing debt, approx. 90% of the deficit was financed through domestic sources. The lack of fewer options from the domestic sources, weak external financing support, and rising debt servicing cost, focus remained on the low tax revenue base of 9.4% of GDP as the cornerstone of economic stability.

Apart from higher than targeted fiscal deficit, the deteriorating situation of the Current Account has become a cause of concern. The Current account figure has been on a decline since start of FY12. It depicted positive figure of USD 437mn in FY11 against USD 189mn deficit in FY12TD with deficits of USD 100mn in July and USD 89mn in August. The deterioration comes on back of dried up Capital Account (Nil in August) and rising Trade deficit (USD 1.842bn). This caused severe stress on PKR-USD parity as rupee decline~2% FYTD. The debt servicing cost and repayment of IMF loan starting from Feb' 12 may keep the parity under stress for the rest of the year.

The change in base year for CPI calculation surprised the market participants. The market consensus expected a decline in inflation to 12% mark, mainly due to higher YoY base effect. The actual CPI figures clocked in at 11.56% and 10.46%, respectively, for August and September reducing the average price hike indicator to 11.47%. The positive real interest rates provide the Central Bank the needed room for loosening its monetary stance. As a consequence a sharp cut by 150bps was witnessed in the October Monetary Policy

Money Market Review

The average lending rate, for overnight lending, of 13.30%, during September, indicates a tighter liquidity position for the month. The yield curve also draw similar picture with higher liquidity requirement in the shorter end leading to an inverted yield curve. The curve also points out the market's expectation for cut in interest rates as market players opting to secure positions at longer end leaving little liquidity at the shorter end.

The apparent situation indicates a 100 bps cut being incorporated in the secondary market yields as evident from trading of long term bonds in the secondary market. The 10-Year paper has traded at levels of 12.65% - 12.70%. The GoP continued borrowing heavily through T-Bills auctions. The cut-off patterns, during the period under review, also presents shows preference for longer tenors. The cut-off yields on 6-months and 12-months T-Bills witnessed decline of 5bps and 17 bps, respectively, to 13.23% and 13.21%.

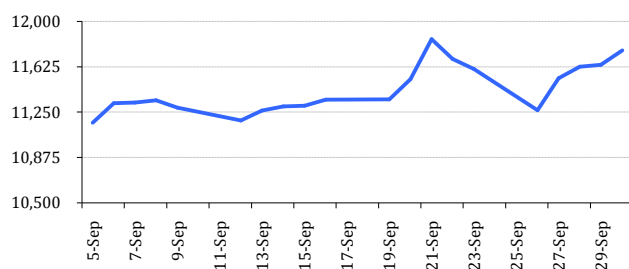
Post Monetary Policy Announcement, a sharp drop in all tenor yields was witnessed. We expect stabilisation of 3 month rate at approx. 11.50%-11.60%, while the 1-yr may settle at 11.90% until the next Monetary Policy Announcement

Equity Market Review

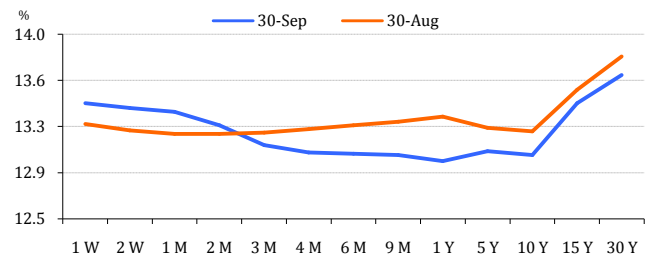
The expectations of higher corporate earnings coupled with significant decline in inflation post July and expectation of discount rate cut enabled the market to remain upbeat. Whereas, negative sentiments owing to strained relations between US and Pakistan and threats of Operational steps in Pakistan triggered Panic selling. However, market built up a strong rally at month end and KSE-100 closed September by 6.25% MoM gain. Among major performers were the Chemical sector scrips that led the rally in anticipation of better results for July-September quarter and positive revision in sector earnings owing to pricing power.

The market will take cue from Pak-US relations, expectations of 1QFY12 Corporate earnings and . Currently, the market is trading at FY12 PE multiple of 6.7x which is at considerable discount compared to historical average and provides attractive investment opportunities in Chemicals, Oil and Gas, Independent Power Producers (IPPs) and Cement stocks.

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>

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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):	998
NAV (PkR):	101.3017
Wtd. Average Time to Maturity (months):	22.43
Standard Deviation:	0.0130
Sharpe Ratio:	-1.19
Information Ratio:	-1.46
Expense Ratio:	1.66%

Fund Performance

	IGI IF	BM
YTD:	12.94%	13.52%
Month (Sep '11):	13.48%	13.38%
Since Inception:	11.72%	12.14%

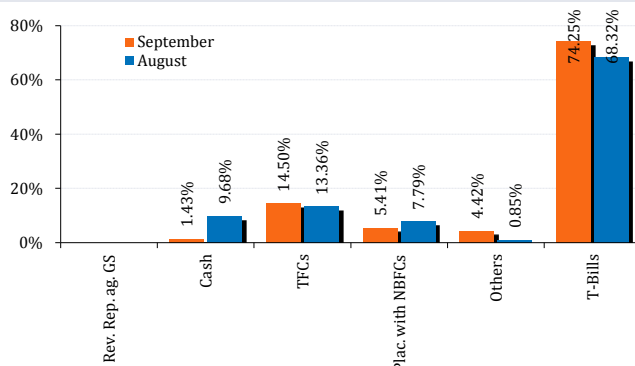
- Standard Deviation, Sharpe and Information Ratios have been calculated using Rolling Returns

- Sharpe Ratio has been calculated against average 3-month T-Bill yield.

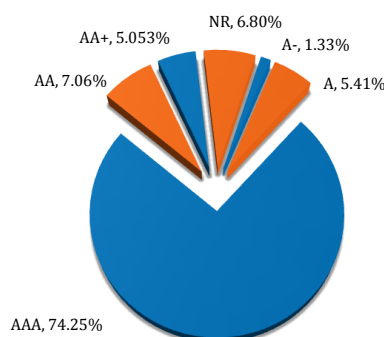
- Expense Ratio is Ratio of total expenses including management fee to the average annual net assets.

- 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 outperformed its benchmark in Sep'11, by generating a MTD return of 13.48% (BM: 13.38%). This was attributed to increased exposure in Fixed Yield TFCs, which have become attractive post reduction in DR. Favorable trading levels bolstered NAV appreciation.

Exposure in short term T-Bills was maintained and incoming liquidity was utilized to raise exposure TFC portfolio. More stable and higher yields were captured by raising the duration of the T-Bills portfolio. Further support was added by short term MMK placements as money market remained tight. Looking ahead, the Fund intends to maintain its existing asset mix. Any new liquidity will be diverted to the mix of T-Bills and Fixed Yielding TFCs at better rates.

TFC Holdings (% of Net Assets)

Bank Alfalah Limited - (2-Dec-09) - Fixed	7.17%
Bank Al Habib IV - (30-Jun-11)- Fixed	5.13%
Bunnys Limited - (13-Nov-08)	1.55%
Vision Dev. (Pvt) Limited - (30-Nov-08)	0.87%

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	(4,664,555)	15,445,445	1.52%	1.55%
Pak Hy Oils Limited	Term Finance Certif.	19,615,000	(19,615,000)	0	0.00%	0.00%
Vision Dev. (Pvt) Limited	Term Finance Certif.	11,635,000	(2,908,750)	8,726,250	0.86%	0.87%

FY11 Rolling Returns

	Jul-11	Aug-11	Sep-11	YTD
IGI IF	10.93%	13.85%	13.48%	12.94%
BM	13.80%	13.37%	13.38%	13.52%

- 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		

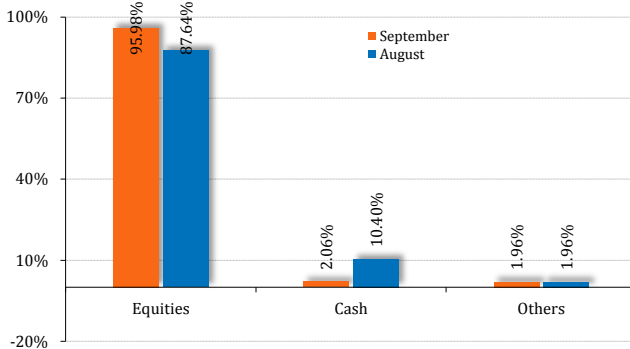
Fund Statistics

Fund Size (PkR mn):	223
NAV (PkR):	106.7301
Standard Deviation:	0.053
Information Ratio:	0.174
Beta:	0.985

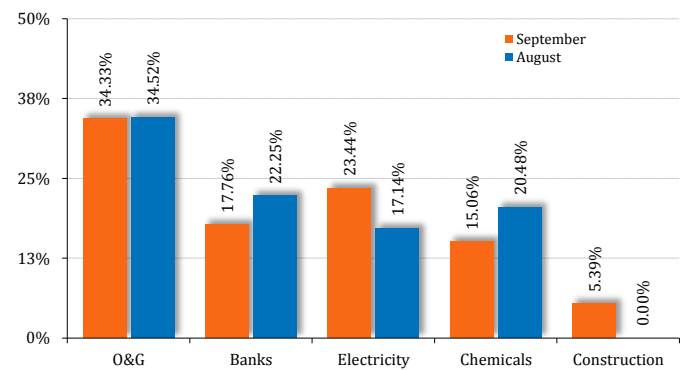
Fund Performance

	IGI SF	BM
YTD:	-0.38%	-5.87%
Month (Sep '11):	7.37%	6.25%
Since Inception:	117.54%	7.32%

Asset Allocation (as % of Total Assets)



Asset Allocation (Sector wise)



Fund Activity

IGI SF managed to beat the benchmark by generating a return of 7.37% (BM: 6.25%) for the period under review. The fund outperformed in a volatile market, by realizing gains in Fertilizer sector. Fund did some fresh buying in Cement sector owing to positive news regarding Cement Prices. In addition, fund increased its exposure in Oil&Gas and Power sector as government decided to settle the Circular debt issue by issuing Government Bonds.

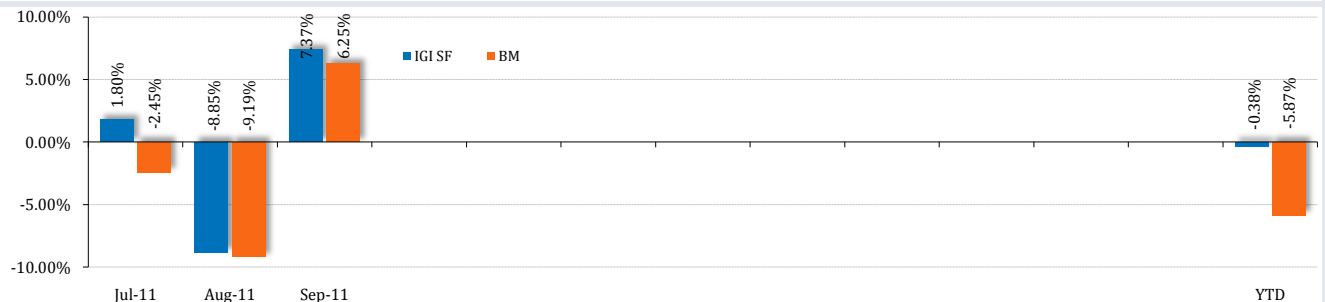
Going forward, IGI SF will maintain a strong position in key sectors. The declining inflation and upcoming MPS may prove favorable for the equities, translating into volume growth. In addition, improvement in international equities will also echo favorably for the local bourse.

Top 10 Equity Holdings (% of Net Assets)

	Sep	Aug
HUBC	10.09%	9.87%
KAPCO	9.73%	6.19%
POL	9.49%	10.03%
FFC	9.44%	9.53%
APL	7.82%	7.65%
UBL	6.75%	8.15%
PSO	5.97%	5.00%
NRL	5.78%	5.02%
ENGRO	5.71%	6.23%
NBP	5.58%	7.01%

Exposure in HUBC is above the regulatory limit of 10%. This is the result of price appreciation.

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):	3364
NAV (PkR):	100.4646
Wtd. Average Maturity (months):	2.52
Standard Deviation:	0.0307
Sharpe Ratio:	-0.106
Information Ratio:	1.2570
Expense Ratio:	1.00%

Fund Performance

	IGI MMF	BM
YTD:	12.38%	7.87%
Month (Sep '11):	12.08%	7.33%
Since Inception:	12.29%	8.51%

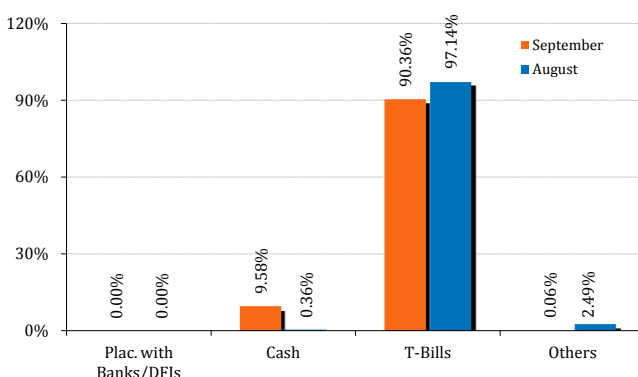
- Standard Deviation, Sharpe Ratios have been calculated using Rolling Returns

- 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

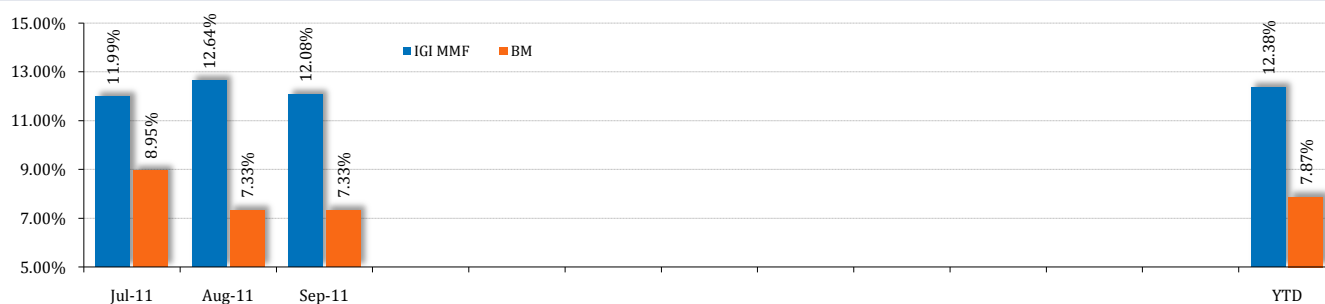


Fund Activity

IGI MMF continues to outperform the benchmark, by generating a MTD return of 12.08% in Sep'11. The Fund maintained a strategy with 90% exposure in T-Bills. Under the T-Bill portfolio, the Fund has tilted its major exposure in mid term paper to capture the relatively stable and higher accruals than the short term papers. Balanced distribution across Mid tenures allowed the fund to capture higher yields and stability in revaluations, which were volatile in the short tenors. In addition, previously obtained instruments are accruing a higher yield than those currently available. Thus, the Fund benefits from higher gross accruals on a daily basis.

Going forward, IGI MMF will maintain a strong position in T-Bills. The Fund will also consider money market placements as overnight market remains tight and provide higher rates for shorter tenor. Maturities will be redirected into mid term papers to capture highest possible yields.

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

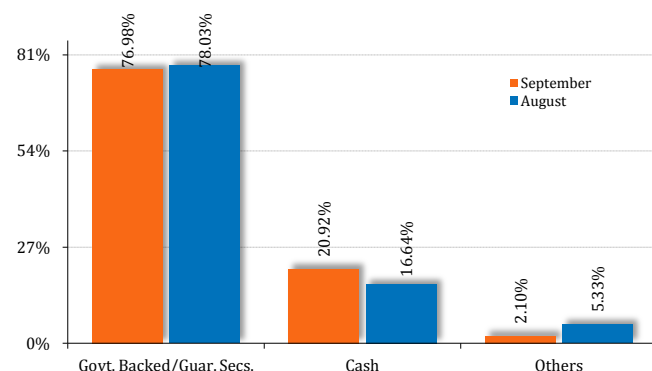
Fund Size (PkR mn):	404
NAV (PkR):	100.3418
Wtd. Average Maturity (months):	20.32
Standard Deviation:	0.0047
Information Ratio:	3.16
Expense Ratio:	1.90%

Fund Performance

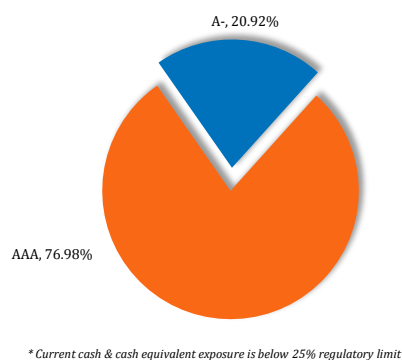
	IGI IIF	BM
YTD:	10.58%	8.67%
Month (Sep '11):	10.43%	8.68%
Since Inception:	10.41%	8.38%

- 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

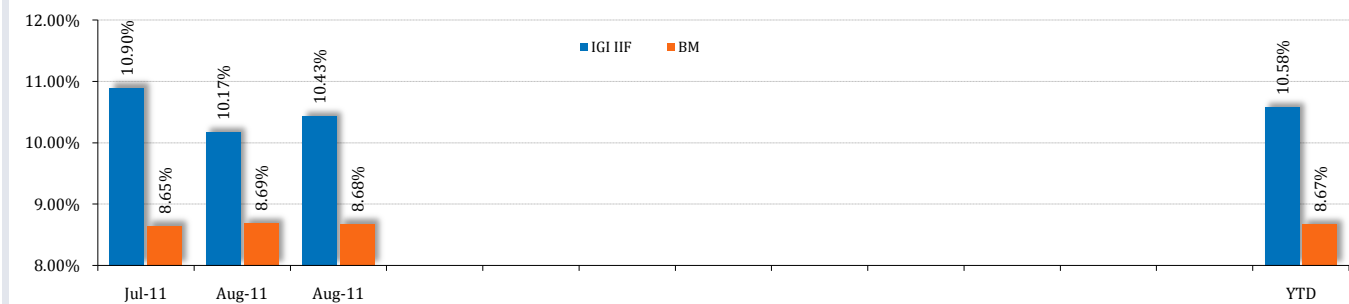
The Fund yielded a MoM return of 10.43% during the month under review. The Fund also announced interim distribution for 1QFY12. Growth unit holders are entitled to 2.5038 bonus units for every 100 units held and each Income Unit Holder will be entitled to Rs. 2.5341/- for each unit.

The secondary market for Shariah compliant securities remained lackluster and yields remained low in anticipation of discount rate cut and absence of any further GoP Ijara Auction. Going forward, the investment focus will be kept on higher yielding placements with Islamic FIs and GOP Ijara/Corporate Sukuks.

Sukuk Holdings (% of Net Assets)

GoP Ijara - VII	44.21%
GoP Ijara - V	14.85%
GoP Ijara - IV	12.56%
GoP Ijara - VIII	5.69%

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	Management Fee:	1.00%
Fund Type:	Open Ended	Min. Initial Investment:	PkR 5,000/-
Benchmark:	6 Month KIBOR	Min. Subseq. Investment:	PkR 1,000/-
Launch Date:	October 25, 2007	Trustee:	CDC Pakistan Limited
IGIFL Acquisition Date:	August 6, 2010	Auditor:	KPMG, Taseer Hadi & Co.
Par Value:	100	Listing:	Karachi Stock Exchange
Pricing:	Forward Day	Dealing Days:	Monday - Friday
Sales Load:	1.00%	Cut-off Time:	9:00 am - 3:00 pm
Risk Profile:	Low	Leverage:	Nil

Fund Statistics

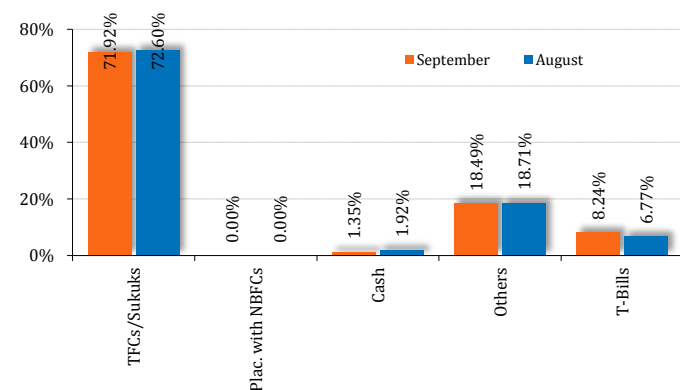
Fund Size (PkR mn):	623
NAV (PkR):	43.3206
Wtd. Average Maturity (months):	35.01
Standard Deviation:	0.2225
Sharpe Ratio:	-0.48
Information Ratio:	-0.50
Expense Ratio:	1.30%

Fund Performance

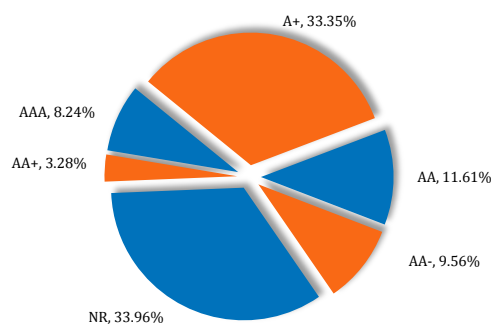
	IGI AIF	BM
YTD:	17.35%	13.52%
Month (Sep '11):	28.68%	13.38%
Since Acquisition:	-4.67%	13.35%

- 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 marked improvement in MoM performance with 28.68% appreciation during the month under review. The Fund realized gains on TFC/Sukuk holdings as prices witnessed favorable movement in anticipation of Discount rate cut.

For cash and cash equivalent requirement, the Fund focused on shorter tenor T-Bills. The maturing T-Bill placements were reinvested in the same avenue. Going forward, the Fund plans to maintain its focus on investment in high yielding corporate bonds of Banking sector issuers.

TFC/Sukuk Holdings (% of Net Assets)

Pak Mobile Communication - (28-Oct-08)	26.52%
Kohat Cement - (20-Dec-07)	11.92%
UBL Bank - (14-Feb-08)	11.66%
NIB Bank - (05-Mar-08)	6.95%
Askari Bank - (18-Nov-09)	4.98%
Vision Devp. Pvt - (30-Nov-08)	3.61%
Bank Al Habib IV - PPTFC	3.29%
Bank AlFalah - (2-Dec-09) - Floater	2.44%
Bank AlFalah - (2-Dec-09) - Fixed	0.82%

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
Kohat Cement Company Limited	Term Finance Certif.	74,210,786	0	74,210,786	11.87%	11.92%
Pakistan Mobile Comm. Limited	Term Finance Certif.	165,159,690	0	165,159,690	26.42%	26.52%
United Bank Limited IV	Term Finance Certif.	72,581,351	0	72,581,351	11.61%	11.66%
Placement with SPLC	Certif. of Investment	125,000,000	(30,000,000)	95,000,000	15.20%	15.26%

FY11 Rolling Returns

	Jul-11	Aug-11	Sep-11	YTD
IGI AIF	10.43%	12.01%	28.68%	17.35%
BM	13.80%	13.37%	13.38%	13.52%

- Returns till Dec, 2010 calculated using Morning Star Model; Returns from Jan, 2011 onwards calculated using simple annualized method

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