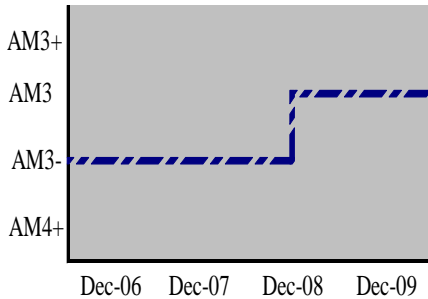


**RATING (FEBRUARY 2010)**  
**IGI FUNDS LIMITED (IGI FL)**



**RATING HISTORY**



Funds	Size (mln)	
	Dec'09	Dec' 08
Open-end		
1) Income Fund	2,145	1,356
2) Stock Fund	475	81
3) Islamic Income Fund	341	-
	<b>2,961</b>	<b>1,437</b>

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**RATING RATIONALE AND KEY RATING DRIVERS**

- The rating reflects the company’s qualified and reasonably experienced management team, sound quality of risk management and control environment, and a structured investment process. Although IGI FL derives significant financial support from its sponsors i.e. Packages Group, its extent of leveraging upon the ‘IGI Financial Services’ (IGI FS) platform for marketing and distribution function has remained limited to date. Meanwhile, given the subdued socioeconomic environment, it would be challenging for the management to effectively execute its business strategy.
- The stability of key management team and maintaining the overall quality of the company’s asset management platform, amidst cost cutting initiatives, are key rating factors. Meanwhile, continuing financial commitment from the sponsoring group remains critical.

**ASSESSMENT**

- IGI FL, incorporated in January 2006, is an associated concern of one of the leading business conglomerates of the country – Packages Group (PG). The Group has diversified interests mainly in manufacturing and financial services. The group operates in the financial sector under the umbrella of “IGI Financial Services” (IGI FS). A key aim is to gain synergic benefits by providing functional support to all group companies in the financial services sector (comprising an investment bank, a brokerage house, an insurance company, and asset management business) in Marketing, IT, Administration, and HR.
- Despite having a well-structured platform, the relative profile and market standing of ‘IGI Financial Services’ has remained subdued. Moreover, the company’s strategy to leverage upon the IGI FS platform has yielded limited results. The advent of new players and launch of new fund products is expected to pose stiff competition to the company. The success of the company’s strategy to combat these challenges would require continuing commitment from the management team as well as support from the sponsoring group.
- The BoD of IGI FL comprises seven members, including the CEO. The overall governance structure of Packages Group in general and IGI FL in particular meets high standards in the industry. IGI FL has a reasonably experienced management team. The top management witnessed a change in 2009 when Ms. Maheen Rahman replaced Mr. Javed Hassan as the CEO of the company. The company also experienced turnover in key management positions during the year.
- IGI FL launched its first fund, IGI Income Fund (IGI IF), an open-end mutual fund, in April 2007. The company launched its Stock Fund in July 2008 and an Islamic Income Fund in December 2009. The company plans to launch a Money Market Fund, a Capital Protected Fund, and a Commodity Fund in the near future.
- IGI FL plans to use the IGI FS platform for its marketing and distribution function. A core institutional sales team is in place at the Head Office. Given the relatively weak brand name in the financial industry compared to some of the well-established players, it would be an uphill task for the company to tap the retail segment to achieve AUM growth.
- The core software has been procured from Sidat Hyder Morshed & Associates comprising three basic modules: (1) Unit Holder Accounting (UHA), (2) Portfolio Management and Accounting (IPAMS), and (3) Financials and Payroll (Sidat Hyder Financials). The company’s IPAMS software is comprehensive. Improvements in IT infrastructure are conducted periodically.
- The investment process functions primarily through the Investment Committee (IC) comprising the CEO, CIO, CFO and two Fund Managers. The IC is responsible to monitor portfolio performance and to take investment decisions, keeping in view the recent economic, political and market conditions and ensuring compliance with relevant laws and regulations. Investment decisions are driven by fundamental analysis. Research department of the company provides support to investment team in taking appropriate investment decisions. The research team currently comprises the CIO and one analyst.
- The company has a separate Risk & Compliance department reporting to the CEO. The department works in parallel with the Internal Audit department to monitor compliance with all applicable laws, regulations and procedures. Meanwhile, the Risk Management Committee (RMC) of the BoD, a four-member committee comprising the CEO, CFO and two directors, is responsible to review risk and return parameters for the funds. IGI IFL utilizes the Internal Audit function established on the IGI FS platform to further strengthen its operational risk management. The company has prepared a comprehensive IT policy and procedures manual, and a detailed disaster recovery plan. The overall control environment of the company, under the direct supervision of senior management, is strong.

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