

Gratuity Fund Performance Quarterly Fund Update, April to June '08

IN THIS POLICY, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER

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Focus on Asset Allocation rather than trying to time the market

Dear Policyholder,

We are pleased to share with you the MetLife quarterly fund update for April to June 2008.

As we move into the third quarter of the calendar year, the record high crude prices, unpredictability in the global markets, high inflation and an increase in the interest rates, are likely to keep the markets relatively volatile. While these aspects can cause short-term instability in the market, investments in equities should be seen with a long-term perspective. In the long run, the broad direction of the economic liberalization is likely to remain unaffected. Such a scenario, we believe, begets a strong focus on asset allocation rather than trying to time the market.

Keeping in line with our philosophy of growth by ensuring best in class customer service, we at MetLife believe in constantly enhancing our systems and processes to make your experience in interacting with us seamless and simple. It is our privilege to share with you some of the initiatives taken. MetLife recently launched MIVRA, the MetLife Integrated Voice Response Application, an advanced telephony platform that combines the best attributes of technology to provide a self help and 24/7 touch point to you, our esteemed customers.

We are also happy to announce the launch of the internet payment gateway through credit cards & net banking for your convenience. Please log on to www.metlife.co.in and click on the "Pay Your Premium Online" section to know more about the service.

These measures have been taken to help us further improve our responsiveness and enable you to transact more easily with us at MetLife.

Thank you once again for your continued support to MetLife.

A handwritten signature in black ink, appearing to read 'Rajesh Relan'.

Rajesh Relan
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Fixed Income Commentary

The Market that was...

Indicators	Mar-08	Jun-08	Q-o-Q Variation
Forex Reserves USD Bn	304.00	312.48	+8.48
Credit Offtake Rs Crs	2,272,603	2,380,418	+107815
Credit Deposit Ratio	73.90	73.09	-0.81
WPI Inflation (%)	6.68	11.42	+4.74
10-year India (%)	7.95	8.70	+0.75
1 yr CD	9.40	10.40	+100
10-year USA (%)	3.43	3.99	+0.56
Exchange Rate USD/INR	39.94	42.03	+3.09
Brent Crude per/bbl	103.62	140.54	+36.92
Reverse/ Repo net Daily Avg Rs Crs	664	11445	+10781

Source: RBI WSS & Bloomberg

Inflation and crude prices were the omnipresent factors of the preceding quarter. Driven by higher food, metal and energy prices, inflation numbers kept surprising the markets on the upside. 10-year yields have jumped 75 bps during the quarter to 5 year high of 8.70% as at June 08 end. Similarly corporate bond and money market rates rose between 70-100 bps during the quarter. Despite rise in yields, the borrowing program of the government remained on track although the secondary market volumes remained dull in both sovereign and credit markets.

Inflation as measured by the WPI (Wholesale Price Index) climbed to a thirteen year high of 11.42% for the week ended Jun 14th v/s 6.68% last quarter and 4.13% a year ago. Looking at the components, primary articles were up 10.96%; manufactured products were up 9.74% while the fuel price index was up 16.37% yoy. Similar to trends seen since March this year, the uptrend is due to edible oils classified under non-food articles, fuel (with market determined fuels up 30%-50%), and basic metals up 21.3% and iron-ore up 42.6%.

In an effort to tame inflation, Reserve Bank of India took monetary tightening measures during the quarter. RBI hiked repo rate and CRR, each by 50 bps on June 24th. Repo rate hike was with immediate effect and CRR hike by 50 basis points to 8.75% is in two tranches starting July 5 and July 19, 2008. The CRR hike is likely to drain about Rs.16,000 crores from the system. This latest Repo Rate hike comes after a 25 basis point hike in Repo Rate on June 11th, 2008. Previous hikes in CRR were on May



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10 and May 24, 2008. With RBI leaving the Reverse Repo rate untouched, the LAF (Liquidity Adjustment Facility) corridor is now 250 bps wide.

In the currency markets, the rupee depreciated by 7.7% against USD during the quarter. We could expect the pressure on rupee to continue, due to high oil prices and subdued foreign capital flows.

Surge in global commodity prices over the past year is translating into significantly higher inflation for most countries. United States is slowing down at a pace which is less than expected earlier, suggesting that the recession may not be as severe and hence impact on Euro Area, Japan, China and rest of Asia should be limited. However, inflation has emerged as a major threat to growth and is limiting room for monetary policy to encourage growth by lowering interest rates.

US Treasury yields hardened considerably during the quarter. Stronger than expected economic data releases, especially on housing, durable goods, GDP (Gross Domestic Product) and diminished expectations of further rate cuts from Federal Reserve, added to the bearish tone for bonds. The

benchmark ten year treasury yields closed more than 50 bps higher over previous quarter levels. The FOMC (Federal Open Market Committee) kept rates on hold at 2% on 25 June.

Way Forward

Inflation is likely to remain the buzzword for the next quarter. Inflation number is unlikely to show a downtrend before November as the base impact remains adverse, additionally the high crude prices and deteriorating fiscal position of the government remains a concern. Borrowing program of the government has still a long way to go which can result in government bond yields to remain under pressure. With Central Bank's stance to keep the inflationary expectations contained with sustainable growth, we can expect the central bank to keep a tight monetary stance in the near future.

Our Strategy

We remain cautious in the near term; however we do expect bond markets to improve in the medium term.

Disclaimer: The above statements are prepared as per our analysis of the market and forecast and they do not constitute an expression of opinion or a recommendation by MetLife India for investment/dis-investment or alteration of any existing investment. These are market reports giving a fair idea to the customer on the market condition and the expected market conditions. Customers are advised to consult their own Investment Advisors before they take any decision based on the above representations. MetLife India, therefore, cannot be held liable for any losses, expenses or costs arising out of the decision taken by the customer based on the above representations.

Equity Market Commentary

The Market that was...

The quarter of June saw the Indian equity markets posting significant declines. The Nifty fell by 17 % during the quarter while the BSE Midcap and BSE Small cap went down by more than 19% and 17% respectively. Record high crude prices, volatility in global markets, high inflation, increase in interest rates, selling pressure from FIIs and political uncertainty were the factors that contributed to the declines. FIIs sold around USD 3.5 Bn for the quarter. Inflation as measured by the WPI stood above 11 % in the weeks near the end of the quarter. The IT

services, pharma sectors and energy sectors outperformed in the declines. The real estate sector fell sharply during the quarter. Concerns on rising interest rates and weakening demand have led to negative sentiments on the sector causing most stocks in the sector to fall by more than two-thirds from their peak prices. Industrials, financials, utilities and materials were the other underperforming sectors. Concerns on the possibility of a high level of current account deficit led to further weakening of the rupee which fell by around 7% for the quarter.

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Way Forward

Rather than correcting as some expected, crude oil prices have reached record highs during the month. The higher than expected inflation and the high level of subsidies due to oil and fertilisers continue to dampen the macro-economic outlook. Interest rates have inched up during the month and the rupee too has weakened reflecting these concerns. While most emerging market economies are suffering from high oil prices, India has a large trade deficit unlike many of the export oriented emerging markets. Hence, rising oil prices are relatively more unfavourable to India than other emerging markets. This explains Indian markets underperformance to other emerging markets in 2008, to some extent. In the near term, only a sharp drop in crude oil prices can address these concerns.

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Our Strategy

The significant declines in stocks in the past six weeks have removed most concerns on higher valuations. The Sensex now trades at 13X FY09 which compares very favourably with 21X FY09 in January 2008 and with prior periods as well. Valuations for quality names that can easily withstand the current environment will turn more attractive as markets start discounting FY10 numbers by the year end. We believe this to be the silver lining in the current gloom. We believe that interest rate sensitive stocks, stocks with high leverage and stocks that derive bulk of their value from long gestation projects might continue to under perform in the current environment.

Unit-Linked Fund

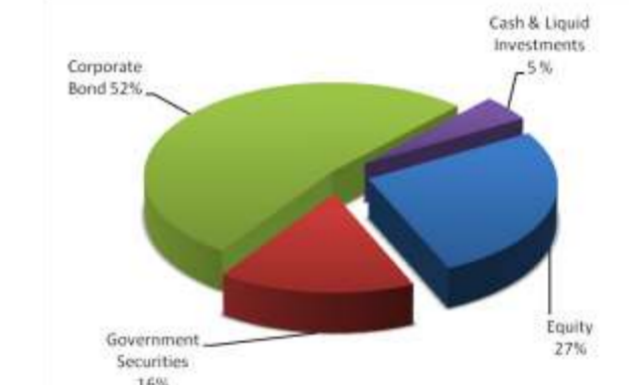
Gratuity Balanced

As on 30th June 2008

To generate capital appreciation and current income, through a judicious mix of investments in equities and fixed income securities

Asset Allocation Pattern	
Government & Govt. Guaranteed Securities	0-100%
Equities	0-35%
Cash and Money Market	0-40%

Asset Mix



Portfolio Returns

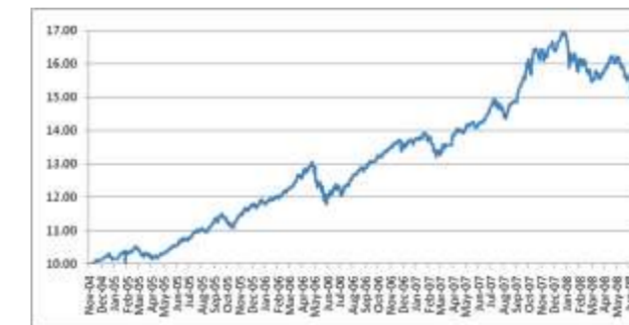
Returns	NAV	Benchmark
Last 1 Month Return	-6.5%	-7.8%
Last 2 Months Return	-7.9%	-7.6%
Latest Quarterly Return	-6.0%	-6.3%
Last 12 Months Return	3.9%	1.6%
Last 2 Years (CAGR)	10.0%	7.5%
Last 3 Years (CAGR)	11.4%	10.2%
CAGR since inception	11.7%	10.9%

Past performance is not indicative of the future performance

Note: Benchmark has been calculated as per the target holdings of the fund i.e. 30% Equity & 70% Debt Securities.

Security Type	Benchmark Index
Equity	S&P CNX NIFTY
Debt	CRISIL Composite Bond Fund Index

NAV Movement since inception



(Date of Inception: 29-Nov-2004)

(Portfolio as on June 30, 2008)

Security	Wt (%)	Rating
Debt		
Electricity Distribution	0.0%	
RELIANCE ENERGY	0.0%	AAA
Electricity Generation	1.0%	
NTPC	1.0%	AAA
Government Securities	16.1%	
7.59% OIL MKT COS GOI BOND	0.2%	SOV
GOI 8.33% 2036	6.5%	SOV
GOI OIL BOND 8.20% 2024	2.0%	SOV
07.95% OIL MKT CO GOI SPL BOND 2025	2.1%	SOV
GOI 8.24% 2018	0.5%	SOV
SDL KERALA 11.50% 2008	0.1%	SOV
GOI LOAN 10.95% 2011	1.0%	SOV
GOI LOAN 10.25% 2021	0.7%	SOV
GOI LOAN 7.38% 2015	1.1%	SOV
8.40% OIL SPL BONDS 2025	1.9%	SOV
Housing Finance	23.0%	
HDFC	11%	AAA
LIC Housing Fin	12%	AAA
NBFC	28.6%	
CLIFINANCIAL CONSUMER FINANCE	1.0%	AAA
MAHINDRA & MAHINDRA FINANCIAL SERVICES	0.6%	AA+
GE MONEY FINANCIAL	0.7%	AAA
L & T FINANCIAL	0.8%	CAREAA+
IL&FS	4.5%	AAA
IDFC	5.9%	AAA
ICICI BANK	0.9%	AAA
Power Finance Corporation	2.8%	AAA
Rural Electrification	11.5%	AAA
Other Finance		
Total Debt	68.8%	
Equity		
Aluminium	0.0%	
HINDALCO LTD	0.0%	
Automobile	0.5%	
MARUTI SUZUKI INDIA LIMITED	0.2%	
TATA MOTORS LIMITED	0.1%	
MAHINDRA & MAHINDRA LTD	0.3%	
Banking Services	2.0%	
ICICI BANK LTD	0.8%	
STATE BANK OF INDIA	0.8%	
HDFC BANK LTD	0.3%	
PUNJAB NATIONAL BANK	0.1%	
Cement	0.1%	
AMBUJA CEMENT LTD	0.1%	
ACC	0.0%	
Copper & Copper Products	0.3%	
STERLITE INDUSTRIES	0.3%	
Crude Oil	3.6%	
OIL AND NATURAL GAS	1.9%	
CAIRN INDIA LTD	1.7%	
Diversified	1.6%	
HINDUSTAN UNILEVER LTD	0.6%	
GRASIM INDUSTRIES LTD	0.3%	
TC LTD	0.8%	
Housing Construction	0.2%	
UNITECH LIMITED	0.2%	
Electricity Distribution & Generation	2.3%	
TATA POWERS LTD	0.3%	
RELIANCE INFRASTRUCTURE LTD	0.2%	
NTPC	1.4%	
POWER GRID CORPORATION	0.4%	
Electrical Equipments	0.3%	
SIEMENS LIMITED	0.1%	
ABB LTD	0.3%	
Housing Finance	0.6%	
HDFC	0.6%	
Information Technology	1.9%	
INFOSYS TECHNOLOGIES	1.0%	
TATA CONSULTANCY LTD.	0.4%	
WIPRO	0.1%	
HCL TECHNOLOGIES LIMITED	0.3%	
SATYAM COMPUTER SERVICES LIMITED	0.1%	
Media & Broadcasting	0.2%	
ZEE ENTERTAINMENT ENTERPRISE	0.2%	
Pharmaceuticals	1.0%	
SUN PHARMACEUTICALS INDUSTRIES LTD	0.3%	
DR. REDDY'S LABORATORIES LTD	0.2%	
RANBAXY LABORATORIES LTD.	0.4%	
Prime Movers	1.0%	
BHEL	1.0%	
Refinery	4.9%	
RELIANCE INDUSTRIES	3.6%	
RELIANCE PETROLEUM LIMITED	1.3%	
Steel	1.8%	
SAIL	0.9%	
TATA IRON AND STEEL	0.9%	
Telecommunication	3.1%	
BHARTI TELEVENTURES LTD	1.9%	
RELIANCE COMMUNICATIONS LIMITED	0.9%	
TATA COMMUNICATIONS LTD	0.1%	
IDEA CELLULAR LIMITED	0.3%	
Turnkey Projects	1.0%	
LARSEN & TOUBRO LTD	1.0%	
Trading	0.3%	
GAIL (INDIA) LTD	0.3%	
Others	0.0%	
Total Equity	25.8%	
Cash & Other Liquid Assets	4.6%	
Grand Total	100.0%	

Unit-Linked Fund

Gratuity Debt

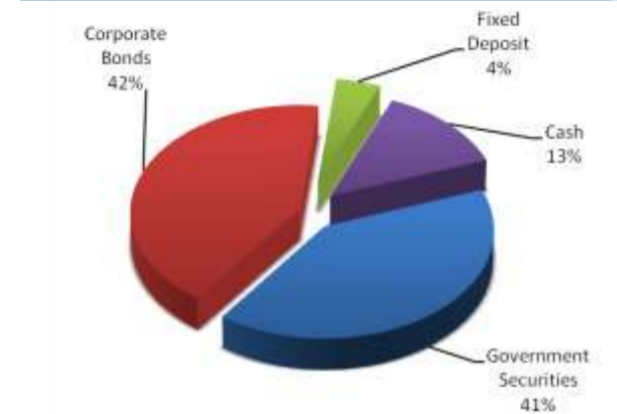
As on 30th June 2008

To earn regular income by investing in high quality fixed income securities

Asset Allocation Pattern

Government & Govt. Guaranteed Securities	25-90%
Equities	0%
Cash and Money Market	0-40%

Asset Mix



Portfolio Returns

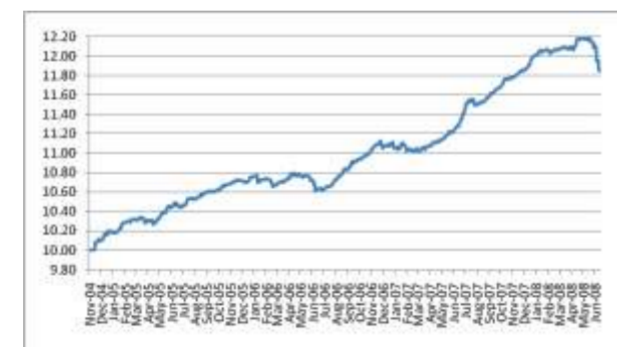
Returns	NAV	Benchmark
Last 1 Month Return	-2.6%	-1.7%
Last 2 Months Return	-2.7%	-1.5%
Latest Quarterly Return	-2.1%	-1.1%
Last 12 Months Return	4.9%	5.1%
Last 2 Years (CAGR)	5.7%	4.8%
Last 3 Years (CAGR)	4.1%	4.2%
CAGR since inception	4.8%	4.7%

Past performance is not indicative of the future performance

Note: Benchmark has been calculated as per the target holdings of the fund i.e. 100% Debt Securities.

Security Type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

NAV Movement since inception



(Date of Inception: 29-Nov-2004)

(Portfolio as on June 30, 2008)

Security	Wt (%)	Rating
Debt		
Government Securities	40.5%	
7.59% OIL MKT. COS.GOI BOND	6.7%	SOV
GOI 8.33% 2036	8.1%	SOV
GOI OIL BOND 8.20% 2024	1.2%	SOV
8.13% GOI OIL Bond 2021	1.5%	SOV
07.95% OIL MKT CO GOI SPL BOND 2025	7.6%	SOV
GOI 8.24% 2018	8.6%	SOV
GOI LOAN 10.95% 2011	1.0%	SOV
GOI LOAN 7.38% 2015	0.0%	SOV
8.40% OIL SPL BONDS 2025	6.0%	SOV
Electricity Distribution & Generation	5.80%	
POWER GRID CORPORATION	1.5%	AAA
NTPC	2.1%	AAA
PFC 9.25% 2012	1.4%	AAA
RELIANCE ENERGY	0.7%	AAA
Housing Finance	20.3%	
HDFC	6.3%	AAA
LIC Housing Fin	14.0%	AAA
NBFC	7.8%	
CITIFINANCIAL CONSUMER FINANCE	2.7%	AAA
M & M FINANCIAL SERVICES	1.5%	AA+
GE MONEY FINANCIAL	2.4%	AAA
L & T FINANCIAL	1.2%	AAA
Banking Services	4.0%	
ICICI BANK	4.0%	AAA
Other Finance	3.9%	
IDFC	3.4%	AAA
IL & FS	0.6%	AAA
Total Corporate Debt	41.8%	
Fixed Deposit	4.4%	
Cash and Equivalent	13.2%	
Grand Total	100.0%	

