

# MetLife®

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# Met Invest

## Gratuity Fund Performance Monthly Fund Update, December '10

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



## ECONOMY

Indicators	Nov 2010	Dec 2010	M-o-M Variation
10-year G-sec India (%)	8.06	7.92	-0.14
10 year AAA Corporate Bond	8.84	8.96	0.12
5 year G-sec India (%)	7.91	7.86	-0.05
5 year AAA Corporate Bond	8.67	8.94	0.27
1 year T-Bill	7.25	7.40	0.15
1 yr CD	9.05	9.47	0.42
Exchange Rate USD/INR	45.88	44.66	-1.22
Forex Reserves USD Bn	294	295	1.00
WPI Inflation (%)	8.58	7.48	-1.10
Index of Industrial Production (IIP)	4.4	10.8	6.40
US 10- YEAR TREASURY YIELD (%)	2.77	3.30	0.53
SENSEX	19521	20509	5.06
NIFTY	5863	6134	4.64
NET FII EQUITY INFLOWS (YTD) MN \$	28992	29321	329

Source: RBI WSS & Bloomberg

## Debt Market

The IIP (Industrial Production) for the month of October came at 10.8%, higher than the market expectation. The growth was primarily led by Capital and Consumer goods. On a cumulative basis, IIP is in double digits at 10.3% from April to October 2010. On a sectoral basis, the growth has been led by manufacturing (up by 11.3%), electricity (up by 8.8%) and mining (up by 6.5%).

On the inflation front, the headline inflation in November declined to 7.48%, in line with market expectation. The decline was mainly due to the base effect. RBI expects inflation to decline to 5.5% by March 2011. However, the upside risk to inflation due to increasing oil prices (which has risen to \$90 per barrel) and rising food and commodity prices remains a concern.

The Reserve Bank of India in its mid

quarter Monetary Policy review left the Repo (6.25%), Reverse repo (5.25%) and CRR (6%) rates unchanged. The SLR (statutory liquidity ratio) was reduced from 25% to 24%. RBI has announced an Open Market Operation of INR 48,000 crores to ease the tight liquidity condition in the market. RBI has projected a growth rate of 8.5% for 2010-11. It has also projected an inflation target of 5.5% by March 2011, with an upward bias.

As per RBI data, the credit growth is at 23.7% and deposit growth at 14.7% (y-o-y). The Forex reserves are at \$295 billion. Tight liquidity conditions continue to exert pressure at the shorter end of the yield curve. Liquidity has been negative by more than INR 100,000 crores (higher than RBI's comfort level), largely due to Equity IPO's, regular Central government borrowing and high Cash Reserve Ratio. Market participants are expecting further liquidity enhancing measures from RBI.



## Equity Markets

The Equity markets rebounded in December with Indian markets following global trends. Stock markets rebounded globally during the month. Positive macro trends such as GDP data, Housing data and Retail sales in US were in line with expectations.

Indian markets witnessed low investor participation for the month. FII inflow in December was 10% of the previous month. The calendar year 2010 FII inflow was at \$29 billion compared to \$ 17 billion in 2009.

The two sectors which outperformed broader Equity Indices in December were Metals and Information technology (IT). Metal stocks rebounded strongly, broadly tracking global commodity prices which touched new highs. The key reason was strong demand from the developed world as well as Asia.

IT stocks continued to outperform, despite rich valuations, primarily on account of strong macro-economic data from the US. The perception of better management quality for top IT companies has increased investor preference for these stocks. The IT budgets for 2011 are expected to be announced in January 2011. This would be a key determinant for next year's performance. However, higher taxes for

Indian IT companies and rise in H1B visa fees are mild negatives for this sector.

The Banking sector underperformed during the month. There was a liquidity crisis in the market. All major banks have increased their deposit rates. The increased cost of funds would put Net Interest Margins (NIM) under pressure in the coming quarter.

Oil and Gas stocks had a range bound performance in the month. Increase in global crude oil prices was partly offset by the companies, with a hike in petrol prices. However, diesel prices, which are still regulated by the Government, have not been increased. This was primarily due to heightened concerns about inflation.





## Debt Market Outlook

The strong IIP numbers (from April till date) and RBI statement in the mid quarter policy review regarding upward bias in inflation, may lead RBI to hike rates in the January 25th policy. However, RBI will also factor in the prevailing liquidity situation in the market.

We expect increasing food prices, expected fuel price hike and high commodity prices to insert pressure on inflation, going ahead. Global recovery continues to be a matter of concern.

On the liquidity front, RBI has already taken measures like OMO (buy back of securities), SLR reduction by 1% and two Liquidity adjustment facilities (till January end). Going ahead, we expect further measures like auction cancellations, a possible CRR cut and more OMO buyback.

Currently the 10 year government bond is trading at around 8%. The market is

awaiting the new 10 year benchmark. We expect an upward bias in interest rates, going forward.

## Equity Markets Outlook

The year 2010 witnessed out performance mainly from Banking, Automobile and Information Technology sectors. The sectors that were laggards were Construction, Power, Capital Goods and Commodities. The Infrastructure sector is expected to see a strong push in the next quarter led by Government spending. There are expectations of a number of NHAI road projects to be awarded.

We continue to be positive on domestic consumption themes of Financial services, Automobiles and Infrastructure. On the international front, Crude Oil prices breaching \$90/barrel is a point of concern both for Government fiscal deficit as well as Inflation. The third quarter results for FY2011 would determine the course of market and provide justification to valuations. By and large, we expect good quarterly results as GDP growth has been buoyant. Both consumer demand and credit growth have been strong. We maintain our long term positive bias on equities, going forward.



# UNIT-LINKED Fund

## Gratuity Balanced

As on 31st December 2010

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

### Asset Classes

Government & other debt securities  
Equities  
Cash & Money Market

### Investment Philosophy

The fund will target 30% investments in Equities and 70% investments in Government & other debt securities to meet the stated objectives.

### Portfolio Return

Returns	NAV	Benchmark
Last 1 year Return	8.62%	8.86%
CAGR since inception	5.20%	4.49%

Past performance is not indicative of future performance

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

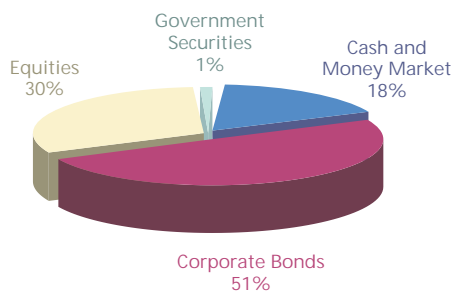
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced  
Portfolio as on 31 Dec 2010

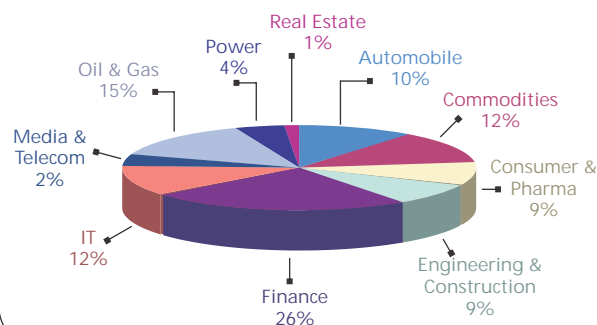
Security Name	Wt	Rating
Government Securities	0.84%	
Others	0.84%	
<b>Corporate Bonds</b>	<b>50.79%</b>	
SAIL	8.11%	AAA
Sundaram Finance Ltd	5.31%	AA+
Reliance Gas Transport Infrastructure	5.30%	AAA
Tech Mahindra	4.69%	AAA
Reliance Capital Ltd	3.70%	AAA
Power Grid Corporation Ltd	3.56%	AAA
LIC Housing Finance Company Ltd	3.46%	AAA
ICICI Bank Ltd	3.41%	AAA
HDFC	3.26%	AAA
Power Finance Corporation Ltd	2.88%	AAA
Larsen & Toubro Ltd	2.81%	AAA
Reliance Energy	2.38%	AA+
Others	1.92%	
<b>Equities</b>	<b>30.22%</b>	
Reliance Industries Ltd	2.36%	
Infosys Technologies	2.03%	
ICICI Bank Ltd	1.76%	
Larsen & Toubro Ltd	1.71%	
ITC Ltd	1.63%	
HDFC	1.23%	
Tata Consultancy Ltd	1.20%	
HDFC Bank Ltd	1.18%	
Oil And Natural Gas	1.14%	
State Bank Of India	1.12%	
Others	14.89%	
<b>Cash And Money Market</b>	<b>18.15%</b>	
<b>Total</b>	<b>100.00%</b>	

Note: "Others" comprises of combined exposure to companies with less than 1% weightage in Portfolio

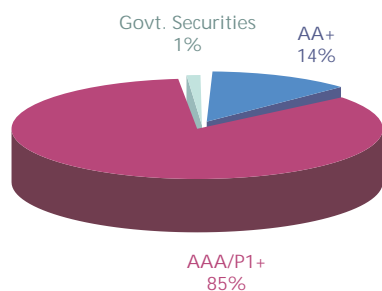
### ASSET ALLOCATION



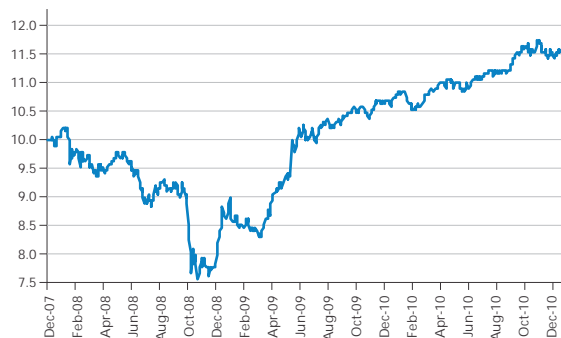
### EQUITY SECTORAL BREAK-UP



### CREDIT RATING OF DEBT PORTFOLIO



### NAV MOVEMENT SINCE INCEPTION



(Date of inception: 06-December-2007)

# UNIT-LINKED Fund

## Gratuity Debt

As on 31st December 2010

Investment Objective: To earn regular income by investing in high quality fixed income securities

### Asset Classes

Government & other debt securities  
Cash & Money Market

### Investment Philosophy

The fund would target 100% investments in Government & other debt securities to meet the stated objectives.

### Portfolio Return

Returns	NAV	Benchmark
Last 1 year Return	5.57%	4.96%
CAGR since inception	12.80%	7.21%

Past performance is not indicative of future performance

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

Security type

Benchmark Index

Debt

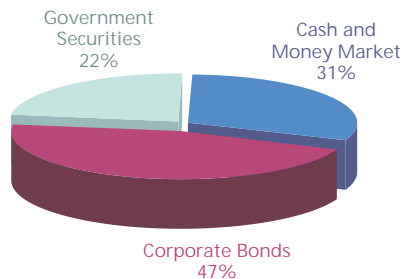
CRISIL Composite Bond Fund Index

Gratuity Debt  
Portfolio as on 31 Dec 2010

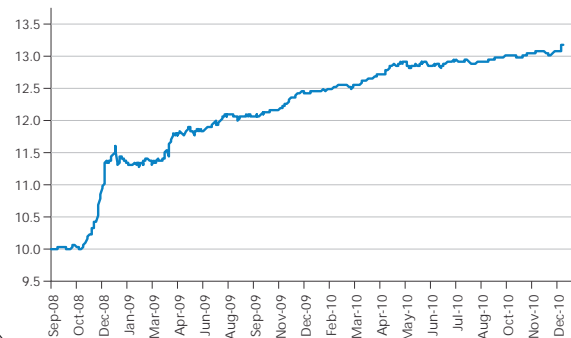
Security Name	Wt	Rating
<b>Government Securities</b>	<b>21.98%</b>	
GOI 2011	6.51%	Sovereign
GOI 2022	6.16%	Sovereign
GOI 2015	4.28%	Sovereign
GOI 2017	2.21%	Sovereign
GOI 2027	2.17%	Sovereign
Others	0.66%	
<b>Corporate Bonds</b>	<b>47.23%</b>	
Sundaram Finance Ltd	9.21%	AA+
HDFC	8.16%	AAA
LIC Housing Finance Company Ltd	4.37%	AAA
Tech Mahindra	4.31%	AAA
IL&FS	4.12%	AAA
Rural Electrification Corporation Ltd	4.11%	AAA
Power Grid Corporation Ltd	3.49%	AAA
Power Finance Corporation Ltd	3.43%	AAA
Reliance Gas Transport Infrastructure	3.03%	AAA
Reliance Capital Ltd	2.99%	AAA
<b>Cash And Money Market</b>	<b>30.79%</b>	
<b>Total</b>	<b>100.00%</b>	

Note: "Others" comprises of combined exposure to companies with less than 1% weightage in Portfolio

### ASSET ALLOCATION

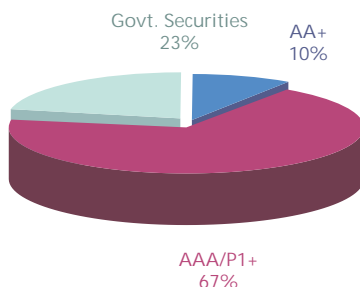


### NAV MOVEMENT SINCE INCEPTION



(Date of inception: 16-September-2008)

### CREDIT RATING OF DEBT PORTFOLIO



# MetLife®

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