

# MetLife®

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# Met Invest

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

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



## Economy

Indicators	Sept'10	Oct'10	M-o-M Variation
10-year G-sec India (%)	7.84	8.13	0.29
10 year AAA Corporate Bond	8.67	8.79	0.12
5 year G-sec India (%)	7.68	7.84	0.16
5 year AAA Corporate Bond	8.51	8.62	0.11
1 year T-Bill	6.65	7.10	0.45
1 yr CD	8.05	8.60	0.55
Exchange Rate USD/INR	44.94	44.43	-0.51
Forex Reserves USD Bn	288	295	7
WPI Inflation (%)	8.51	8.62	0.11
Index of Industrial Production (IIP)	15.2	5.6	-9.6
10-year USA (%)	2.52	2.60	0.08

Source: RBI WSS & Bloomberg

The Reserve Bank of India in its Credit Policy hiked the Repo rate (Rate at which RBI lends money) by 25 bps to 6.25% and the Reverse Repo rate (Rate at which RBI absorbs surplus) by 25 bps to 5.25%. This was primarily done to manage rising inflationary expectations, without disrupting the growth rate. The Central Bank indicated that the likelihood for further monetary action, given the moderation in inflation, was relatively low. The CRR was kept unchanged at 6%.

### Fixed Income Market

The IIP (Industrial Production) for the month of August came at 5.6%, lower than market



expectation. The July figures were revised to 15.2% from 13.8%. Capital goods after growing at 9.2% in the previous month fell by 2.6%. This had an impact on the overall data.

Acknowledging that liquidity has tightened, RBI separately announced a OMO (buyback) of INR 12,000 crores. The decision to buyback 7.80% GoI 2020 brought clarity and cheer to the bond market in terms of long term benchmark status for bonds. After announcement of the buyback, sovereign bonds rallied.

### Equity Market

The Equity Market took a breather in October with both Nifty and Sensex closing almost flat over last month. Over the last 3 months, both these indices have delivered 12%, the highest increase amongst developing markets.

FII inflows continued unabated with a net inflow of USD 5.4 bn after having witnessed USD 6 bn of net buying in September. The total FII equity investment in 2010 till date stands at USD 24.6 bn.

October was an eventful month from the

# Economy

Primary Market perspective, which saw the successful launch and closure of Coal India IPO. It raised USD 3.5 bn and was the largest IPO in the Indian market history. The issue was subscribed 15x overall and 25x in Qualified Institutional Buyer (QIB) segment, thereby indicating strong underlying growth as well as demand for Indian Equities.

The second quarter result for FY11 has broadly been satisfactory in all major sectors and in-line with market expectations. The Equity Market, although range bound in October, seemed to have factored in these positives.

Most banks have reported strong credit and core income growth as well as expansion in Net Interest margins. This has led to improved profitability. For Automobile companies, the month of October was equally strong with some of the companies reporting their highest ever monthly sales amidst the festive season.

Companies in the Construction & Engineering sector have posted good results, which were above consensus estimates. The improvement in capital expansion cycle has helped these companies report double digit revenue growth (year-on-year) with improvement in profitability. The new order inflow has been quite robust, thereby providing improved revenue visibility for these companies.





## Fixed Income Market Outlook

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The domestic economy is on a strong footing and should help absorb, to a large extent, the negative impact of a slowdown in the global recovery. Inflation outlook will be shaped by how food price inflation moves, rising commodity prices and demand pressures arising from sustained growth. Inflation is expected to moderate from the present high levels.

We believe RBI will take a pause on further rate hikes. In our view, G-Sec yields are close to the peak and foresee limited downside risks. We would be looking to increase maturities, as concerns on inflation abate and liquidity scenario improves.

## Equity Market Outlook

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Although all second quarter results are yet to be announced, investors have derived comfort from the ones declared so far. Globally, markets are anticipating a second round of Quantitative easing (easy monetary conditions) to stimulate growth. This is positive for emerging markets as it is likely to aid export growth.

We believe Indian markets would continue to stand out in terms of risk reward for global investors. We think that the market, in the next couple of quarters, would start to factor in FY 2013 earnings of companies. This would provide a reference point to a large set of investors who are not comfortable with current valuations.

The drop in Core Industrial Production growth was a point of concern. We cautiously await the overall Industrial Production numbers for September.

We continue to remain positive on domestic consumption themes of Financial services, Automobile and Infrastructure. However, the market may witness a correction in case of negative sentiment emanating from developed markets. We expect momentum in corporate earnings to continue in the coming year. We maintain our positive fundamental view on equity markets, going forward.

# UNIT-LINKED Fund

## Gratuity Balanced

As on 31st October 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	10.7%	11.7%
CAGR since inception	5.1%	4.4%

Past performance is not indicative of the future performance

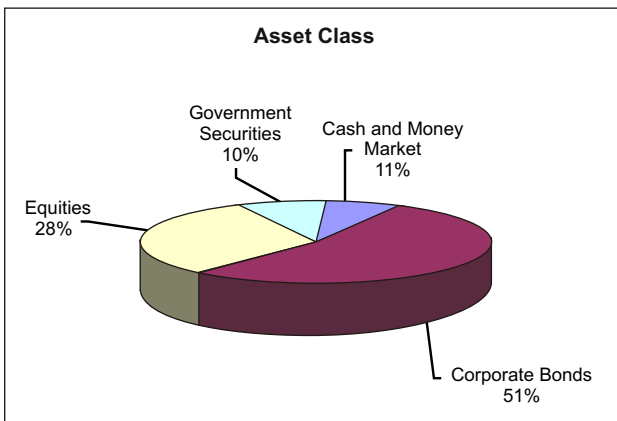
Note: Benchmark has been calculated as per the target holding of the Fund i.e. 30% Equity and 70% Debt Securities

#### Security Type

Equity  
Debt

#### Benchmark Index

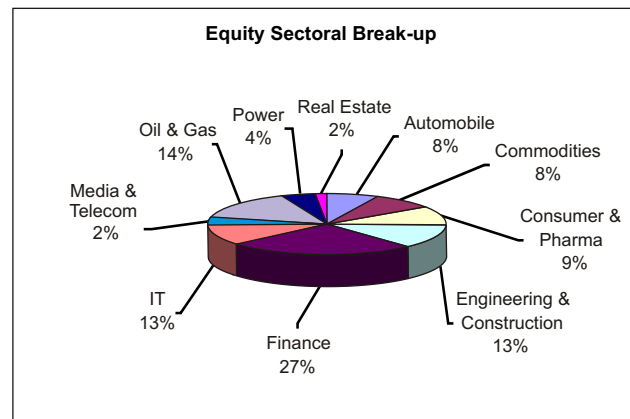
S&P CNX NIFTY  
CRISIL Composite Bond  
Fund Index



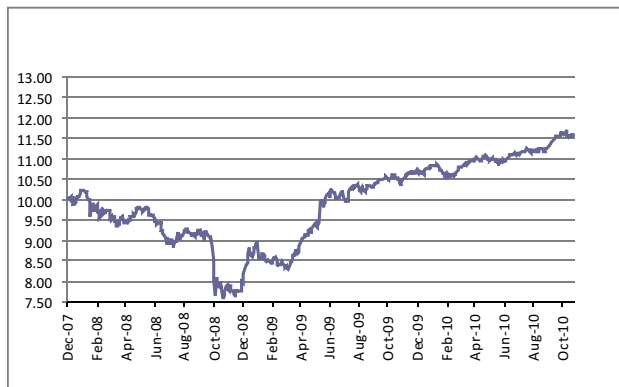
(Portfolio as on 31st October 2010)

Security Name	Wt (%)	Rating
<b>Government Securities</b>	<b>9.86%</b>	
GOI 2020	3.78%	Sovereign
GOI 2032	2.82%	Sovereign
GOI 2011	2.23%	Sovereign
SDL Punjab 2019	1.03%	Sovereign
<b>Corporate Bonds</b>	<b>51.73%</b>	
Reliance Gas Transport Infrastructure	8.07%	AAA
SAIL	7.26%	AAA
Reliance Capital Ltd	6.54%	AAA
Bajaj Auto Finance Ltd	5.53%	AA+
Tech Mahindra	4.21%	AAA
ICICI Bank Ltd	3.37%	AAA
Power Grid Corporation	3.18%	AAA
LIC Housing Finance Company Ltd	3.09%	AAA
Power Finance Corporation Ltd	2.58%	AAA
Larsen & Toubro Ltd	2.51%	AAA
Reliance Energy	2.12%	AA+
HDFC	1.93%	AAA
Others	1.34%	
<b>Equities</b>	<b>27.64%</b>	
Reliance Industries Ltd	2.47%	
Infosys Technologies	2.25%	
Larsen & Toubro Ltd	1.96%	
ITC Ltd	1.86%	
ICICI Bank Ltd	1.85%	
State Bank Of India	1.40%	
HDFC Bank Ltd	1.24%	
BHEL	1.02%	
HDFC	1.02%	
Others	12.57%	
<b>Cash and Money Market</b>	<b>10.77%</b>	
<b>Total</b>	<b>100.00%</b>	

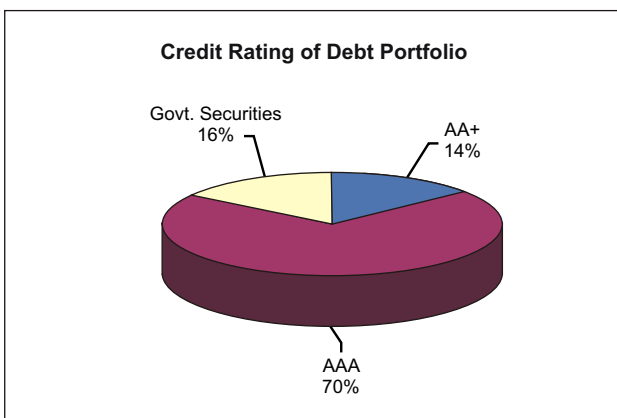
Note: 'Others' comprises of combined exposure to securities with less than or equal to 1% weightage in Portfolio



### NAV Movement Since Inception



(Date of inception: 06-December-2007)



# UNIT-LINKED Fund

## Gratuity Debt

As on 31st October 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.

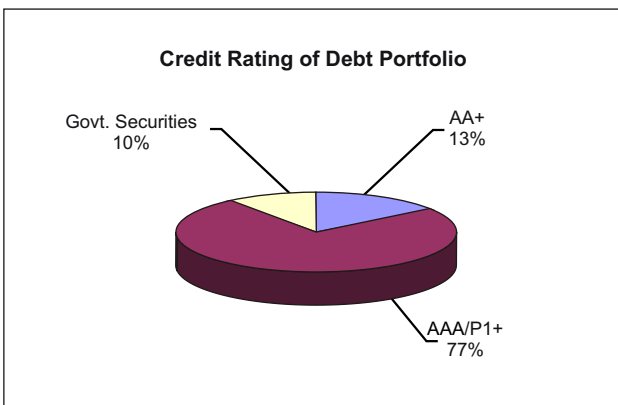
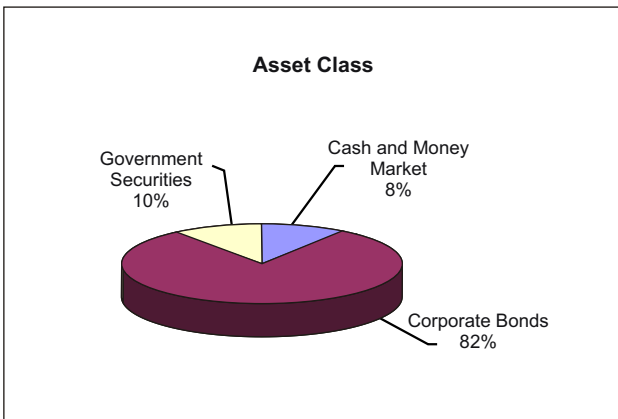
### Portfolio Return

Returns	NAV	Benchmark
Last 1 year return	6.3%	5.3%
CAGR since inception	13.3%	7.4%

Past performance is not indicative of the 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

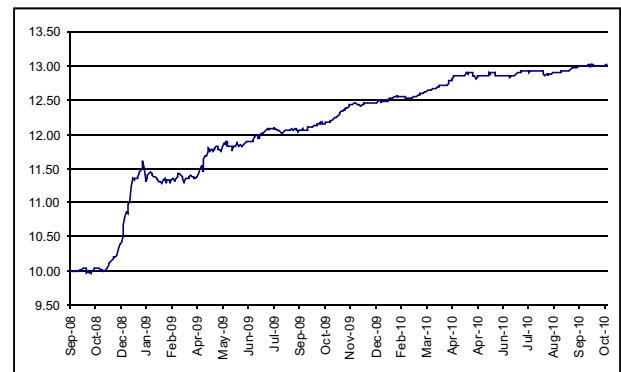


(Portfolio as on 31st October 2010)

Security Name	Wt (%)	Rating
<b>Government Securities</b>	<b>9.73%</b>	
SDL Maharashtra 2020	8.63%	Sovereign
Others	1.10%	
<b>Corporate Bonds</b>	<b>82.25%</b>	
LIC Housing Finance Company Ltd	8.62%	AAA
Tech Mahindra	8.54%	AAA
L&T Finance Ltd	8.42%	AA+
HDFC	8.42%	AAA
Reliance Capital Ltd	8.42%	AAA
IL&FS	8.16%	AAA
Rural Electrification Corporation	8.15%	AAA
Power Grid Corporation	6.91%	AAA
Power Finance Corporation Ltd	6.78%	AAA
Reliance Gas Transport Infrastructure	6.01%	AAA
Bajaj Auto Finance Ltd	3.81%	AA+
<b>Cash and Money Market</b>	<b>8.02%</b>	
<b>Total</b>	<b>100.00%</b>	

Note: 'Others' comprise of combined exposure to securities with less than or equal to 1% weightage in Portfolio

### NAV Movement Since Inception



(Date of inception: 16-September-2008)

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Compound annual growth rate (CAGR) is rounded to nearest 0.1%