Issue - XIV

MetLife®

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Met Invest

Gratuity Fund Performance

Monthly Fund Update, July '10

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

Message from MD's Desk

Dear Customer,

We bring to you, our newly branded monthly fund update Met Invest!

India is in the midst of an investment led growth phase, supported by high domestic savings rates and favourable demographics. The macro-economic drivers of the economy are in good shape, leading to a structural change. With an improving fiscal scenario, normal monsoon and increasing foreign capital inflows, the Indian economy seems to be on track to achieve the 8.5% GDP growth rate forecast by RBI.

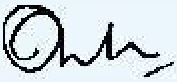
The equity markets have also seen a significant movement over the last one year. This has primarily been driven by the strong resilience of the Indian economy, despite the global turmoil.

We believe that such a scenario begets a strong focus on long term investment even while the market is witnessing short-term volatility. The investment aspect of life insurance is about discipline and having a long term horizon.

At MetLife, we have a capable fund management team that follows fundamentally sound investing principles and risk management strategies. We invest your funds into a well diversified set of instruments based on the investment philosophy of delivering "superior risk-adjusted returns consistently", over medium and long term. We are committed to promoting high standards of responsible investing in the industry.

Thank you once again for your continued support to MetLife.

Best Regards,



Rajesh Relan

Managing Director

MetLife India Insurance Company Limited

Economy

The month of July was quite an eventful one both on domestic as well as the global front. There were a series of positive news flows on the economic front. RBI raised its forecast for FY11 GDP (real) growth from 8% to 8.5% in the monetary policy announced on July 27. Moody's, the international rating agency, upgraded India's local currency rating to Ba1 from Ba2 with a positive outlook, citing improving fiscal situation on the back of disinvestments and fuel subsidy reforms.

The last week of July saw cumulative rainfall deficiency at only 4% as against 16% last month. This has raised expectations on agricultural growth output.

On the monetary front, there were two rate increases from RBI in July. The first increase was announced on 2nd July in an inter-bank policy meet, wherein RBI raised the Repo and Reverse repo rates by 25 bps each. The second rate hike was announced on 27th July, wherein Repo rate was increased by 25 bps to 5.75% and Reverse repo by 50 bps to 4.5%. These rate hikes were primarily aimed at tackling

inflation, to ensure that economic growth is sustained. RBI has raised the year end inflation target to 6% from 5.5% earlier.

Despite 2 rate hikes in July, equity market ended on a positive note with both Sensex and Nifty posting a marginal gain of 1%. FII inflows remained buoyant with a net buying of USD 3.8 billion in July vs. USD 2.1 billion in June. The Rupee ended flat at 46.41 to a dollar, after touching an intra-month low of 47.36.

News flows remained mixed on the international front. The US economy grew by 2.4% in Q2 2010 against an expectation of 2.6%, indicating improving economic environment in the US. On the other hand, Greece managed to auction Euro 1.6 billion T-Bills at 4.65%, much below the 5% charged by European Monetary Union to bail out Greece initially, indicating waning sovereign default risk.

EQUITY MARKET

Equity Market Outlook

The macro-economic drivers of the economy are in good shape, leading to a structural change. With improving fiscal scenario, normal monsoon (till July) and increasing foreign capital inflows, Indian economy seems to be on track to achieve the 8.5% GDP growth rate forecasted by RBI .

The June quarter results were a mixed bag with most companies delivering positive numbers on sales but just about meeting profit estimates. Banking sector results were broadly positive with core income growth and net interest margin expansion. The concern, however, was on account of deterioration in asset quality.

In the Information Technology sector, Tier 1 companies reported a 6 to 8 percent sequential revenue growth, which was higher than consensus estimates. We expect the strong deal pipeline of IT companies to improve demand visibility in coming quarters.

Automobile companies delivered a mixed bag of results. Revenue growth was strong; however, operating margins declined due to higher raw material prices. We expect volume growth to remain strong with the beginning of the festive season.

Construction and Capital Goods companies surprised on profitability and order inflow; however, sales growth was lower than expected. Infrastructure spending from the Government is expected to support growth in factory output this year.

The Indian market is increasingly getting coupled with global markets. With concern regarding growth in European and US economies abating, risk appetite for emerging markets is showing an upward trend. Over the long term, we expect Indian market to outperform major emerging markets. The current market valuations appear to be reasonable, from a 2 year forward earnings perspective. Going forward, we remain cautiously optimistic on the market.

Fixed Income Market Outlook

The month of July was negative for fixed income market due to the 2 rate hikes. The 10 year benchmark (7.80% 2020) yield hardened by 27 bps to close at 7.80%. Wholesale Price Inflation (WPI) was in line with expectations at 10.2%, driven up primarily by fuel price hike and revision in sugarcane prices.

The 10 year Corporate (AAA benchmark) yield rose by 11 bps to close at 8.81% compared to last month. The 10 year Corporate spreads compressed from 115 bps to 100 bps while the 5 year Corporate spreads compressed from 95 bps to 83 bps in the same period. The Corporate bond yields tracked the upward movement in GSec yields.

In the monetary policy announced on July 27, RBI emphasized that tight liquidity leads to effective transmission of monetary policy. At the same time, RBI intends to reduce volatility of rates and narrow the corridor between Repo and Reverse repo rate. Given the prevailing tight liquidity scenario, Repo rate at 5.75% has emerged as the operating policy rate. Average liquidity for the month was negative at Rs. 37,000 crores. However, liquidity situation has eased out and was at a surplus of Rs. 6,675 crores by end of July.

The Banking system switched over to Base Lending Rate (BLR) from the hitherto Benchmark Prime Lending Rate (BPLR) with effect from July 1, 2010. BLR of PSU banks ranges from 7.50%-8.25% while that of Private Sector Banks ranges from 7%-8.75%.

Going forward, we expect RBI's restrictive monetary policy stance to continue. We expect RBI to continue the trend of increasing policy rates in the upcoming monetary policy in September. In the near term, we expect Government securities yields to be range bound with a negative bias.

UNIT-LINKED Fund

Gratuity Balanced

As on 30th July 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.

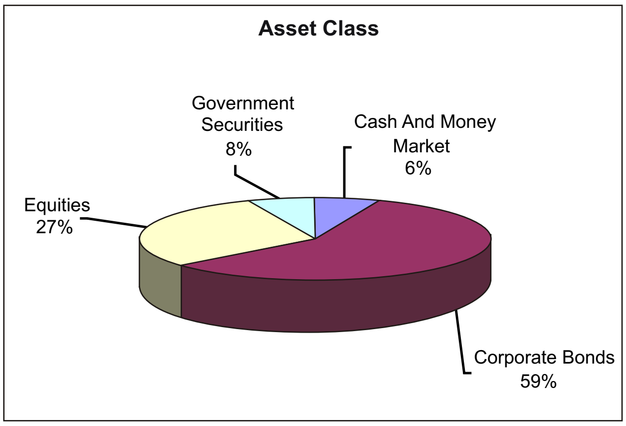
Portfolio Returns

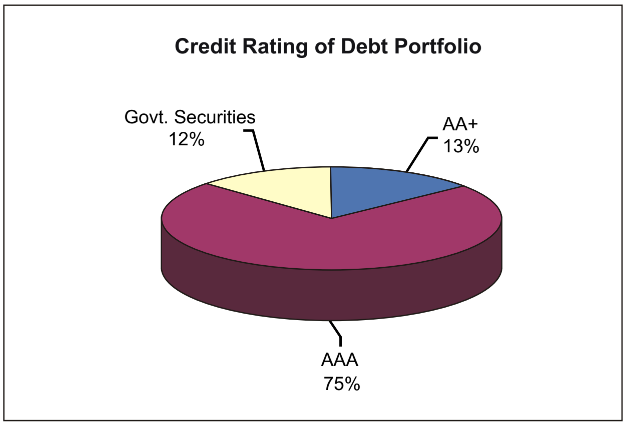
Returns	NAV	Benchmark
Last 1 year return	8.33%	8.33%
CAGR since inception	**4.19%**	**3.33%**

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

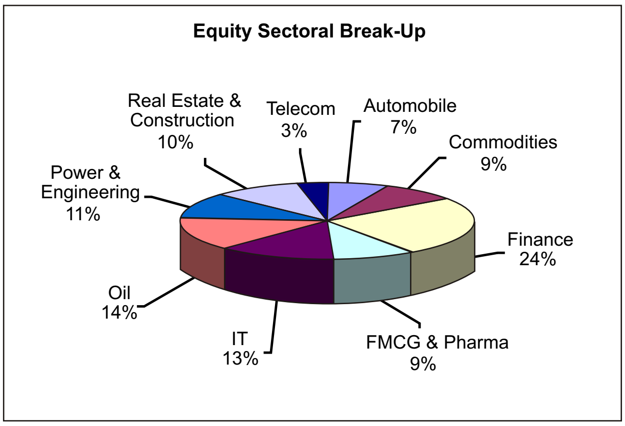




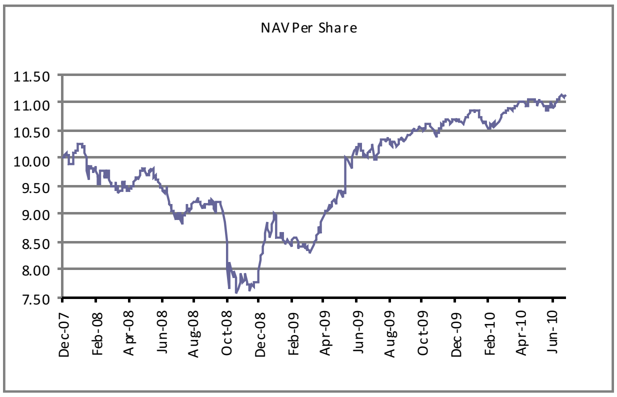
(Portfolio as on 30th July 2010)

Security Name	Wt (%)	Rating
Government Securities	**7.89%**	
GOI 2032	2.92%	Sovereign
GOI 2011	2.32%	Sovereign
SDL Maharashtra 2019	1.54%	Sovereign
SDL Punjab 2019	1.12%	Sovereign
Corporate Bonds	**58.40%**	
Reliance Gas Transport Infrastructure	8.43%	AAA
Reliance Capital Limited	7.59%	AAA
SAIL	7.44%	AAA
Bajaj Auto Finance Ltd.	5.74%	AA+
IL&FS	5.24%	AAA
Tech Mahindra	4.38%	AAA
ICICI Bank Ltd.	3.54%	AAA
Power Grid Corporation	3.43%	AAA
Power Finance Corporation Ltd.	2.68%	AAA
Larsen & Toubro Ltd.	2.60%	AAA
Reliance Energy	2.19%	AA+
HDFC	2.01%	AAA
LIC Housing Finance Company Ltd.	1.69%	AAA
Others	1.45%	
Equities	**27.45%**	
Reliance Industries Ltd.	2.34%	
Infosys Technologies	2.16%	
Larsen & Toubro Ltd.	2.01%	
ITC Ltd.	1.72%	
ICICI Bank Ltd.	1.70%	
State Bank Of India	1.37%	
HDFC Bank Ltd.	1.18%	
BHEL	1.05%	
Others	13.92%	
Cash and Money Market	**6.26%**	
Total	**100.00%**	

Note: 'Others' comprises of combined exposure to companies 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 30th July 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.

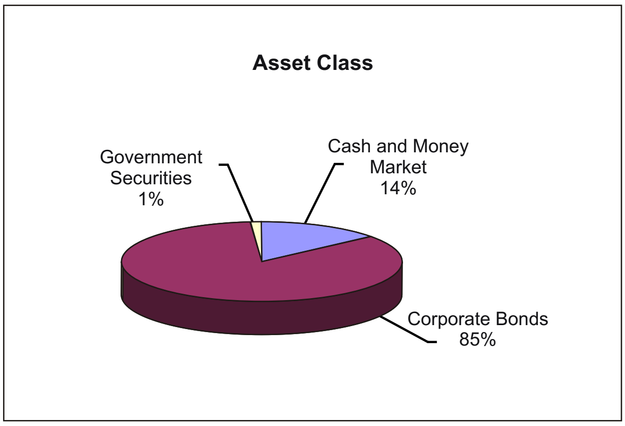
Portfolio Returns

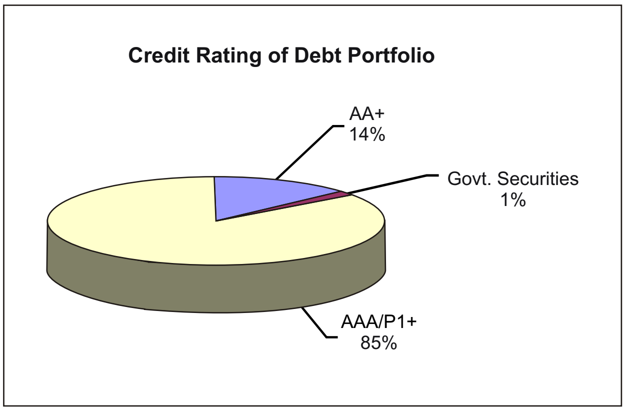
Returns	NAV	Benchmark
Last 1 year return	6.68%	4.43%
CAGR since inception	14.63%	7.84%

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



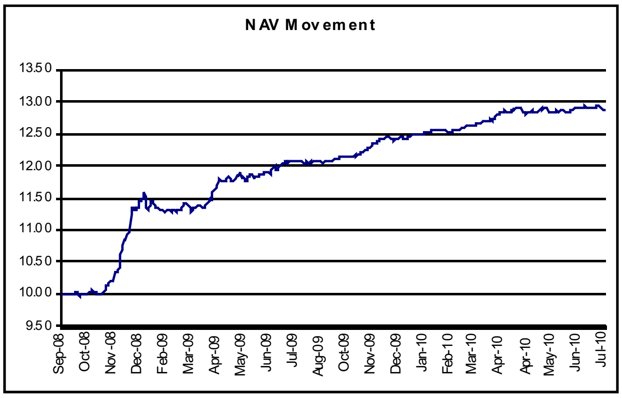


(Portfolio as on 30th July 2010)

Security Name	Wt (%)	Rating
Government Securities	**1.28%**	**Sovereign**
Corporate Bonds	**84.76%**	
Reliance Gas Transport Infrastructure	9.25%	AAA
Tech Mahindra	8.66%	AAA
HDFC	8.56%	AAA
Reliance Capital Limited	8.52%	AAA
L&T Finance Ltd.	8.50%	AA+
Rural Electrification Corporation	8.30%	AAA
IL&FS	8.20%	AAA
Power Grid Corporation	7.02%	AAA
Power Finance Corporation Ltd.	6.89%	AAA
LIC Housing Finance Company Ltd.	6.78%	AAA
Bajaj Auto Finance Ltd.	3.86%	AA+
Others	0.21%	
Cash and Money Market	**13.96%**	
Total	**100.00%**	

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

NAV Movement Since Inception



(Date of inception: 16-September-2008)

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