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Met Invest

Gratuity Fund Performance Monthly Fund Update, April '11

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



ECONOMY

Indicators	Mar 2011	Apr 2011	M-o-M Variation
10-year G-sec India (%)	7.99	8.13	0.14
10 year AAA Corporate Bond	9.15	9.21	0.06
5 year G-sec India (%)	7.90	8.24	0.34
5 year AAA Corporate Bond	9.22	9.29	0.07
1 year T-Bill	7.55	7.75	0.20
1 yr CD	9.80	9.73	-0.07
Exchange Rate USD/INR	44.58	44.22	-0.36
Forex Reserves USD Bn	303	309	6.00
WPI Inflation (%)	8.31	8.98	0.67
Index of Industrial Production (IIP)	3.9	3.6	-0.30
US 10- YEAR TREASURY YIELD (%)	3.47	3.29	-0.18
SENSEX	19445	19136	-1.59%
NIFTY	5833	5749	-1.44%

Source: RBI WSS & Bloomberg

Fixed Income Market

The highlight for the month of April was the issue of new ten year benchmark bond and the preliminary monsoon data released by IMD.

The IIP (Industrial Production) for the month of February (which was released in April) was lower at 3.6%. This was lower than the consensus expectation of 5%. The cumulative growth from April 2010 to February 2011 stands at 7.8%. IIP numbers were low primarily on the back of Capital Goods slowdown. On a sectoral basis, slowdown was reported in mining at 0.6%, manufacturing at 3.5% and electricity at 6.7%. On use based classification, Capital Goods continued to underperform for the third consecutive month, down 18.4%. Consumer Goods continued to grow at 11% and Consumer durables at 23%.

The WPI for the month of March increased to 8.98% (previous month was 8.31%), belying expectations of a moderation in inflation. This was almost 100 bps above RBI's official projection of 8% for the month of March. The increase in inflation was largely because of manufacturers passing on the higher input costs to consumers. Although Fuel and Primary articles were in line with weekly readings, the rise in manufactured products was the key reason for higher inflation in February.

As per the first forecast released by Indian Meteorological Department, rainfall for the

country as a whole is likely to be normal. However, these are preliminary estimates and IMD is expected to come out with a second estimate in June. Apart from total quantum of rainfall, the distribution as well as the cropped region where the rainfall is required is very important.

In the first auction for financial year 2012, RBI set a cut off yield for the new ten year benchmark at 7.80%. The aggressive bidding at the auction was the main reason for an unexpectedly low cut off and did not reflect the real demand in the market. The new 10 year finally closed at 7.86% on the day of issue and ended the month at 8.13%.

Equity Market

The month of April was broadly neutral for markets post the sharp run up in March. There was profit booking in select sectors post the sharp run up, largely by domestic institutions who were net sellers of USD 0.14 bn. The FII inflows in April continued with USD 1.6 bn of net buying.

From the domestic market standpoint, macro-economic data remained negative as IIP for February came significantly below expectations with 3.6% y-o-y growth. Inflation for March came in at 8.98%, which was slightly above market expectations. However, INR appreciated by 0.8% during the month. This was on account of FII inflows and narrowing of trade deficit due to strong export numbers.

Economic environment on the international front continued to remain uncertain as negative news from Japan and Middle East continued. Crude Oil prices touched new highs and concerns emerged regarding meeting the fiscal deficit target by the Indian Government. The month of April was mixed in terms of US data flows. The GDP data came in at a low of 1.8%, which was mildly lower than market expectation. However, new home sales surprised positively, which lends credibility to the sustained recovery.

The sectors which performed well in the month of April were Automobiles, Fast Moving Consumer Goods (FMCGs) and Pharmaceuticals. Sectors such as Real Estate, Information Technology (IT) and Oil and Gas were underperformers.

ECONOMY

The fourth quarter results for FY 2011 started on a negative note with IT major Infosys announcing disappointing results as well as providing muted guidance for the coming year. The results from Banking sector, especially PSU Banks have been disappointing. Oil major, Reliance Industries too disappointed with poor operating performance. Many large companies are yet to report results and the final picture would be clear by mid May.

Sector Performance

Auto companies ended FY11 on a strong note with all segments posting double digit growth. Given the low penetration, increasing disposable income and strong economic growth, Auto sector offers good growth visibility in the medium to long term. However, rising bank lending rates as well as price hikes by auto manufacturers may adversely influence consumer sentiment in the near term. We expect volume growth to moderate in the coming months. We believe that current valuations are attractive for most companies.

Cement companies posted strong growth in top line both on account of higher dispatches as well as higher realizations due to price hikes. The profitability improved on operating basis with higher numbers reported compared to previous quarter. This year is likely to be good for cement companies as utilizations improve due to revival in demand.

The BSE IT index underperformed the broad market owing to disappointing guidance and unimpressive results from Infosys and Wipro. The sector also witnessed a spate of downgrades as macro-economic situation in key markets such as US and Europe continues to remain volatile. Though deal pipeline and revenue visibility look robust, rising wage inflation and appreciating Rupee remain prime concerns for the operating performance of Indian IT companies.

The Banking sector performance was in line with markets. However rising interest rates, especially on deposits, had a negative impact on profitability. Provisions on account of Non Performing Assets (NPAs) are also a concern, especially for public sector banks. Although valuations are reasonable, we believe that there are downside risks to the sector due to continuing rate hikes.





Outlook on Fixed Income Market

Going ahead, inflation will continue to be the main worry for debt market. Unless a correction in commodity prices lowers input costs, a further rise in selling prices is likely. A good monsoon can bring down food prices; however, a bad monsoon can spell disaster. The expected hike in petrol, diesel, cooking gas and kerosene is likely to happen soon. This will further add to the already high inflation.

Going forward, we expect RBI to continue the calibrated process of rate hikes to tame inflation. Currently, the 10 year G-Sec is trading around 8.11%. We expect market to be range bound with an upward bias in interest rates. Bond yields are expected to trade with an upward bias. Money market yields are also expected to increase, going forward.

The 10 year AAA Corporate bonds which were trading at 9.21%, fell by around 6-8 bps compared to the previous month. The corporate bond spread has narrowed from 115 basis points to 108 bps during the month. Corporate bonds are expected to trade in a range, going forward.

Outlook on Equity Markets

The macro-economic situation has worsened with poor industrial data, high inflation and slackening demand scenario. RBI is expected to continue raising rates through the year in a calibrated manner.

The markets are evenly poised as many sectors have bottomed out from a valuation perspective. With the government emphasis on reforms and pick up in ordering due to government spending, we believe that Infrastructure companies are likely to benefit going forward.

We are positive on sectors that are a direct play on the domestic economy such as Automobile, Cement, Construction & Capital goods and FMCG. We are also positive on Metal companies which have already implemented capacity expansion and are benefiting from the surge in global commodity prices

At current valuations, Equity markets seem to be reasonably valued and look attractive from a medium to long term perspective of 2-3 years.

UNIT-LINKED Fund

Gratuity Balanced

As on 30th April 2011

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 6 months Return	1.2%	0.5%
Last 1 year Return	5.8%	5.9%
CAGR since inception	8.9%	9.7%

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

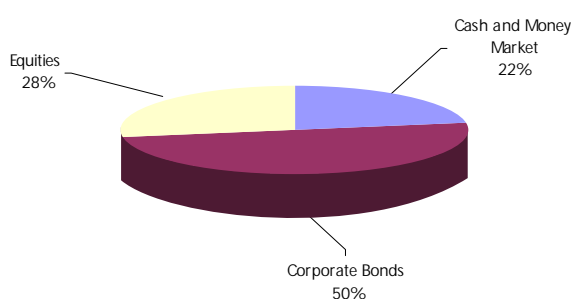
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced Portfolio as on 30 Apr 2011

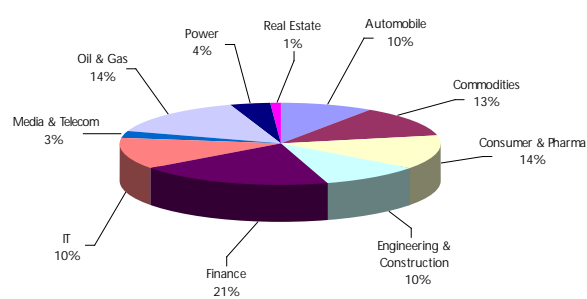
Security Name	Wt	Rating
Corporate Bonds	49.82%	
Reliance Gas Transport Infrastructure	6.71%	AAA
HDFC	6.58%	AAA
Tech Mahindra	5.96%	AAA
Reliance Capital Ltd	4.76%	AAA
Power Grid Corporation Ltd	4.51%	AAA
LIC Housing Finance Company Ltd	4.42%	AAA
ICICI Bank Ltd	4.36%	AAA
Power Finance Corporation Ltd	3.66%	AAA
Larsen & Toubro Ltd	3.62%	AAA
TATA Sons Ltd	3.33%	AAA
L&T Finance Ltd	1.05%	AA+
Others	0.85%	
Equities	27.62%	
Reliance Industries Ltd	2.09%	
ITC Ltd	1.82%	
ICICI Bank Ltd	1.50%	
Infosys Technologies	1.39%	
Larsen & Toubro Ltd	1.27%	
HDFC	1.09%	
Others	18.46%	
Cash And Money Market	22.55%	
Total	100.00%	

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

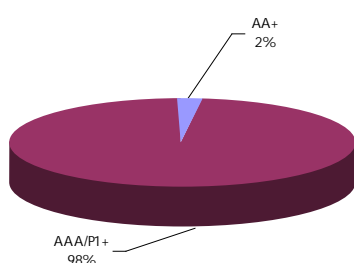
ASSET ALLOCATION



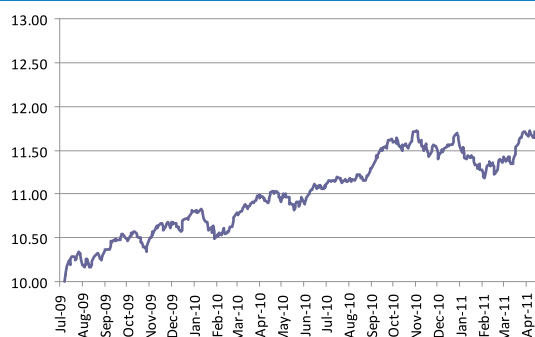
EQUITY SECTORAL BREAK-UP



CREDIT RATING OF DEBT PORTFOLIO



NAV MOVEMENT SINCE INCEPTION



(Date of inception: 06-December-2007)

UNIT-LINKED Fund

Gratuity Debt

As on 30th April 2011

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

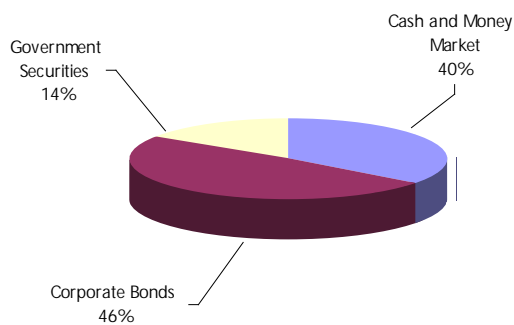
The fund would target 100% investments in Government & other debt securities to meet the stated objectives.

Gratuity Debt Portfolio as on 30 Apr 2011

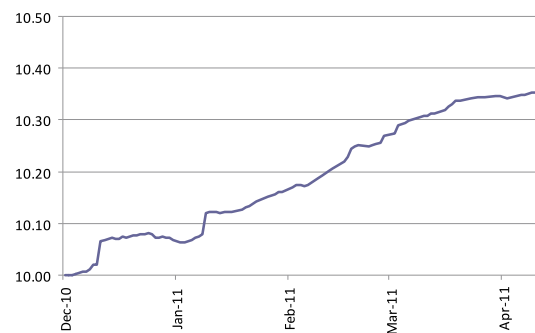
Security Name	Wt	Rating
Government Securities		
GOI 2012	8.02%	Sovereign
GOI 2011	5.75%	Sovereign
Others	0.44%	
Corporate Bonds		
HDFC	7.61%	AAA
Rural Electrification Corporation Ltd	7.46%	AAA
Power Finance Corporation Ltd	5.83%	AAA
Tech Mahindra	3.90%	AAA
SAIL	3.90%	AAA
Reliance Industries Ltd	3.90%	AAA
IL&FS	3.74%	AAA
Power Grid Corporation Ltd	3.17%	AAA
Reliance Capital Ltd	2.74%	AAA
Reliance Gas Transport Infrastructure	2.74%	AAA
Others	0.87%	
Cash And Money Market	39.90%	
Total	100.00%	

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

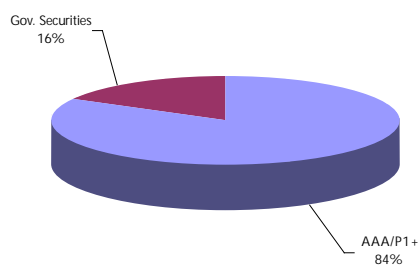
ASSET ALLOCATION



NAV MOVEMENT SINCE INCEPTION



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Life Insurance Registration No.117)
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5 Vani Vilas Road,
Basavanagudi, Bangalore-560004.
Tel: +91 80-2643 8638.
Toll Free: 1-800-425-6969
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