

# MetLife®

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# Met Invest

## Gratuity Fund Performance Monthly Fund Update, December '11

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



## ECONOMY

Indicators	Nov 2011	Dec 2011	M-o-M Variation
10-year G-Sec India (%)	8.74	8.57	-0.17
10 year AAA Corporate Bond (%)	9.71	9.42	-0.29
5 year G-Sec India (%)	8.71	8.44	-0.27
5 year AAA Corporate Bond (%)	9.63	9.52	-0.11
1 year T-Bill (%)	8.69	8.43	-0.26
1 yr CD (%)	9.77	9.75	-0.02
Exchange Rate (USD/INR)	52.21	53.07	1.6%
Forex Reserves (USD Bn)	304	301	-3.00
WPI Inflation (%)	9.73	9.11	-0.62
Index of Industrial Production (IIP) (%)	2.0	-5.1	-7.1
US 10 year Treasury Yield (%)	2.07	1.88	-0.19
Brent Crude Oil (USD/barrel)	111	107	-3.6%
Sensex	16123	15455	-4.1%
Nifty	4832	4624	-4.3%

Source: RBI WSS & Bloomberg

### Fixed Income Market

December was a good month for the Debt market. The market witnessed a sharp fall in Government securities yields as well as Corporate bond yields throughout the month. The system was short in liquidity due to advance tax outflows. However, liquidity enhancing measures by RBI through Open Market Operations (OMOs) prevented short term yields from inching upwards. The sharp fall in inflation and positive comments from RBI raised hopes of a faster reversal in monetary policy stance.

The Government has announced additional borrowing of Rs.40,000 crores in dated securities. As the higher borrowing will put an upward pressure on domestic bond yields, we expect OMOs to continue. This will help in controlling the upward yield movement.

The Reserve Bank of India (RBI) in its mid-quarter review of monetary policy kept the Repo rate and Reverse Repo rate unchanged at 8.5% and 7.5% respectively. Further, it kept the Cash Reserve Ratio (CRR) also unchanged at 6%. This was in line with consensus expectations. RBI's policy stance was slightly dovish, as it admitted the need to 'reverse the cycle, responding to the risks to growth' going forward.

The WPI inflation number eased slightly in November. However, it still remained at a high level of 9.11%. The non-food manufactured products inflation component rose slightly in November.

There was an increase in fuel inflation. However, food inflation (primary as well as manufactured) moderated significantly. Assuming global commodity prices to remain range bound, we expect headline WPI inflation number to moderate during the course of this year. However, we see upside risks to inflation on account of the weak rupee and its effect on commodity imports.

India's Index of Industrial Production (IIP) growth number for October 2011 fell sharply to -5.1%. The main reason for this decline was a sharp deceleration in Mining output.

The Central government's aggregate gross tax collections growth decelerated to 4.4% in October from 17.1% in September. While personal income tax collections growth was strong at 19.5%, corporate income tax at -3.4%, excise duties at -10% and customs tax at -2.7% were very weak. The full year deficit target of 4.6% is quite likely to be breached.

The Rupee has depreciated by around 18% against USD in calendar year 2011. India being a net importer, the depreciation of rupee will increase the current account deficit.

### Equity Market

Unlike the last few years, there was no 'December Rally' in the Indian equity market in 2011, as global markets remained calm in the absence of any significant news flow. The market remained strong during first half of the month, but tumbled sharply in the second half owing to concerns regarding the precarious fiscal situation and additional borrowing by the Government.

Risk aversion continued with developed markets, once again, outperforming emerging markets. The US and UK market gained 1% each while Japan remained flat. Among emerging markets, Russia declined the most by 10% while China and India declined by 6% and 4% respectively.

Growth concerns in emerging markets, particularly in China, led to a fall in commodities. Zinc, Aluminum and Copper declined by 11%, 4% and 4% respectively. Crude, too, subsided a bit and declined by 3%. Precious metals such as Gold and Silver corrected sharply, declining by 10% and 15% respectively, on the back of some profit booking and strengthening of US Dollar.

# MARKET OUTLOOK

INR remained weak and closed at 53 to the USD, depreciating by 8% in the last quarter and 1.6% in the month, owing to the widening current account deficit.

## Sectoral Performance

Among major sectors, Information Technology was the only sector which generated positive returns in December as this sector benefits the most from a weaker Rupee. This was also the only sector which experienced an earnings upgrade. The Pharmaceutical sector outperformed the index during the month on the back of its inherent defensive nature of business and also support from depreciating INR

The Banking sector underperformed on concerns regarding credit growth, rising NPAs and restructuring of assets of some large accounts. There was a sell off across both PSU and Private Banks. For the Metal sector, the imminent pressure on margins arising from increased cost pressure and weak pricing environment, coupled with global economic uncertainties led to an underperformance.

Oil marketing companies were under pressure during the month due to weak refining margins, depreciation in INR and increasing uncertainties over the Government's support for under-recoveries on sale of controlled products

## Fixed Income Market Outlook

We expect RBI to announce additional OMO's, as liquidity is expected to be tight due to significant borrowings in dated securities and T-Bills. We expect the bond market to be positive going forward, as RBI has indicated a reversal of policy stance. The Central Bank is clearly concerned about growth. However, it still feels that inflation poses a risk. .

We expect inflationary pressures to ease, going forward. Given the recent macro-economic developments, we are positive on bond market in the near term. However, uncertainty in crude oil prices, possibility of further depreciation of INR and a revision of fiscal deficit target do pose a risk to our positive outlook.

## Equity Market Outlook

After a tumultuous 2011, the new year has started on a cautious note. Some of the concerns such as slowing economic growth, high fiscal and trade deficit and uninspiring policy environment which emerged during the second half of last year still remain. Further deterioration in fiscal situation, owing to internal or external factors, might prolong the difficult business environment.

The growth-inflation conundrum with which the Central Bank grappled over the last two years is now waning, making way for a declining interest rate scenario. Any positive change in policy stance backed by reforms in important areas can revive investment sentiments, paving the way for foreign inflows. This will not only strengthen INR but will also restore confidence in the long term India story. This coupled with aggressive monetary easing has the potential to lead to an investment-led economic growth revival.

Though global economic environment continues to remain fragile, data points and news flow over the past few months indicate an improving trend for the US economy. Euro Zone issues are still an overhang and can induce bouts of uncertainty.

In our opinion, it may not be appropriate to extrapolate the current despondency to the future. As always, it is difficult to time the market. However, indications of economic growth revival may lead to a recovery in the market, as current equity valuations are almost near the bottom. Though volatility may remain high in the near term, markets are looking attractive from a medium to long term perspective.

# UNIT-LINKED Fund

## Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 30th Dec 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	-1.3%	-2.5%
Last 1 year Return	-1.0%	-2.6%
CAGR since inception	6.0%	5.0%

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

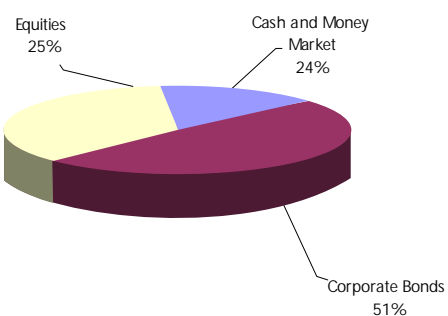
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced  
Portfolio as on 30th Dec 2011

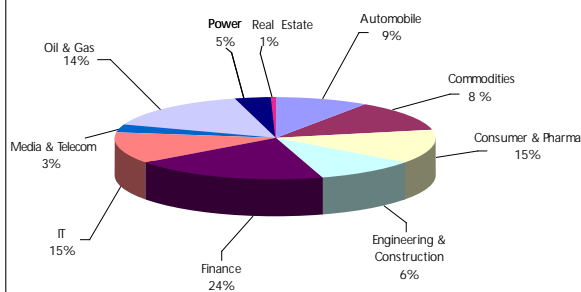
Security Name	Wt	Rating
Corporate Bonds	50.90%	
IL&FS	9.81%	AAA
LIC Housing Finance Company Ltd	9.34%	AAA
Power Grid Corporation Ltd	9.29%	AAA
Reliance Gas Transport Infrastructure	8.91%	AAA
HDFC	7.72%	AAA
TATA Sons Ltd	2.52%	AAA
Reliance Industries Ltd	2.06%	AAA
Power Finance Corporation Ltd	1.25%	AAA
Equities	25.25%	
Infosys Technologies	2.28%	
ITC Ltd	1.74%	
Reliance Industries Ltd	1.55%	
ICICI Bank Ltd	1.39%	
HDFC Bank Ltd	1.27%	
HDFC	1.20%	
Tata Consultancy Ltd	1.00%	
Others	14.82%	
Cash And Money Market	23.85%	
<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

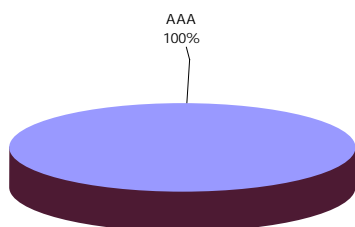
### ASSET ALLOCATION



### EQUITY SECTORAL BREAK-UP



### CREDIT RATING OF DEBT PORTFOLIO



### NAV MOVEMENT SINCE INCEPTION



(Date of inception: 07-July-2009)

# UNIT-LINKED Fund

## Gratuity Debt

SFIN No: ULGF00105/06/04GRADEBTFND117

As on 30th Dec 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.

### Portfolio Return

Returns	NAV	Benchmark
Last 6 months Return	6.9%	4.1%
Last 1 year Return	11.2%	6.9%
CAGR since inception	11.6%	6.9%

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

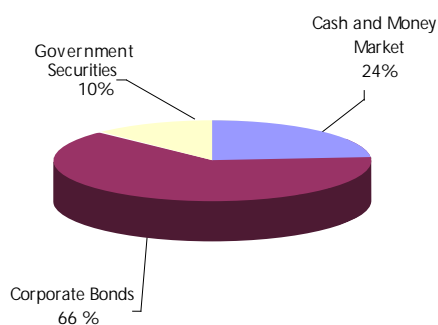
Security type

Debt

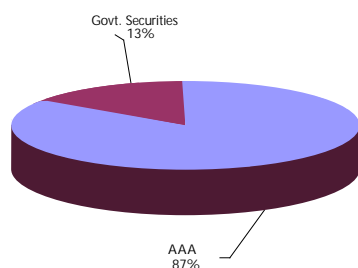
Benchmark Index

CRISIL Composite Bond Fund Index

### ASSET ALLOCATION



### CREDIT RATING OF DEBT PORTFOLIO

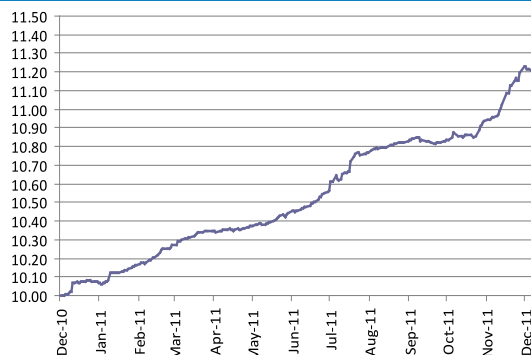


Gratuity Debt  
Portfolio as on 30th Dec 2011

Security Name	Wt	Rating
<b>Government Securities</b>	<b>9.78%</b>	
GOI 2018	5.00%	Sovereign
GOI 2024	3.57%	Sovereign
Others	1.22%	
<b>Corporate Bonds</b>	<b>65.92%</b>	
IL&FS	8.93%	AAA
LIC Housing Finance Company Ltd	8.67%	AAA
Power Finance Corporation Ltd	8.47%	AAA
HDFC	8.25%	AAA
Rural Electrification Corporation Ltd	7.68%	AAA
Reliance Port & Terminals Limited	7.31%	AAA
Reliance Gas Transport Infrastructure	5.25%	AAA
SAIL	3.55%	AAA
Tech Mahindra	3.32%	AAA
Power Grid Corporation Ltd	2.77%	AAA
Reliance Capital Ltd	1.72%	AAA
Cash And Money Market	24.30%	
<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: 20-December-2010)

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