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Met Invest

Gratuity Fund Performance Monthly Fund Update, November 11

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



ECONOMY

Indicators	Oct 2011	Nov 2011	M-o-M Variation
10-year G-Sec India (%)	8.88	8.74	-0.14
10 year AAA Corporate Bond (%)	9.74	9.71	-0.03
5 year G-Sec India (%)	8.84	8.71	-0.13
5 year AAA Corporate Bond (%)	9.66	9.63	-0.03
1 year T-Bill (%)	8.70	8.69	-0.01
1 yr CD (%)	9.64	9.77	0.13
Exchange Rate (USD/INR)	48.70	52.21	7.2%
Forex Reserves (USD Bn)	320	304	-16.0
WPI Inflation (%)	9.72	9.73	0.01
Index of Industrial Production (IIP) (%)	3.6	1.9	-1.7
US 10 year Treasury Yield (%)	2.11	2.07	-0.04
Brent Crude Oil (USD/barrel)	110	111	0.9%
Sensex	17705	16123	-8.9%
Nifty	5327	4832	-9.3%

Source: RBI WSS & Bloomberg

Fixed Income Market

The month of November was quite volatile for debt market. The liquidity shortfall in domestic market has led to an increase in yields in recent Government bond auctions. However, liquidity enhancing measures by RBI and announcement of concrete measures by global Central banks led to a sharp fall in yields towards month end.

The WPI inflation rate remained at a high level of 9.73% in November. The non-food manufactured products inflation component remained steady while there was an increase in Fuel and Food inflation (primary and manufactured) components. The headline inflation has remained above the RBI's comfort zone of 5.0 - 5.5% for about two years, averaging 9.3% during this period.

India's Industrial Production (IIP) growth decelerated significantly to a two-year low of 1.9% in September compared to a growth of 3.6% in August (revised downwards from 4.1%). The GDP growth decelerated sharply to a two year low of 6.9% in September 2011 quarter. This compares poorly with 8.4% (September 2010) and 7.7% (June 2011).

The Reserve Bank of India announced Open Market Operation (OMO) (purchase of government securities to release liquidity) for an aggregate amount of INR 200 bn. RBI mentioned that its decision to conduct the OMO is consistent with its monetary policy stance.

It was also based on RBI's current assessment of prevailing and evolving liquidity conditions.

The Rupee has weakened by around 16% against USD in last three months, touching an all time low of Rs 52.7 / US\$ during the month. The primary reasons were an increase in dollar strength globally (due to problems in Euro Area), rising risk aversion and a widening trade deficit. The trade deficit widened to US\$19.6 billion in October 2011 from US\$9.8 billion in September 2011.

The yield at the shorter end increased due to tight liquidity conditions. The one year CD yield rose by 13 bps. The 10 year GSec yields were down 14 bps due to an announcement of buyback of Government securities by RBI. The 10 year Corporate bonds were flat, as there was no supply due to high yields. Given the current weak global and domestic macro environment, corporate issuers are unwilling to raise funds at prevailing high interest rates.

Equity Market

In November, market lost the gains made in October, as domestic macro-economic situation continued to worsen. The winter session of Parliament started on a dismal note over reforms and corruption issues. Global markets remained a mixed bag, as uncertainties in the Euro region continued.

Slackening global growth is becoming a major concern for Central Banks, indicated by monetary easing measures by select economies. China reduced reserve requirement for banks by 50 basis points in a bid to revive economic growth. Later in the month, six Central banks, including the US Federal Reserve, acted in a coordinated manner to infuse liquidity by lowering the cost of borrowing Dollars for banks.

Developed markets outperformed the developing markets owing to heightened risk aversion during the month. The US markets ended positive with a 1% gain while UK and Germany ended with a 1% decline each. Among developing markets, Russia and Brazil outperformed with decline of 1% and 3% respectively. The Chinese market fell by 5% during the month.

MARKET OUTLOOK

India was among the worst performing markets during the month and fell by 9% on the back of rising concerns over deteriorating fiscal situation and depreciating currency. The Rupee depreciated by 7% and touched an all-time low during the month.

FIIIs sold USD 787 million worth of equities in November and have remained net sellers YTD, with a cumulative outflow of USD 389 million.

The Indian GDP in second quarter grew by 6.9% against 7.7% percent last year. This is the lowest GDP growth in last two years. From a sectoral standpoint, Services sector grew by 9.3% (against 10% last year) while Agriculture sector grew by 3.2% (against 3.9% last year). However, major disappointment came in from Industrial sector which grew by just 3.2% compared to 5.1% last year.

The cumulative impact of high interest rates, slowing global growth and smeared political climate is being felt in decelerating manufacturing growth and reduction in gross capital formation (proxy for new capacity creation and projects). IIP for the month came at 1.9%. This was significantly below the consensus expectation of 3.5%.

Inflation for the month of October remained high at 9.7% (same as September). However, food inflation has started showing signs of moderation.

Sectoral Performance

As in previous months, the defensive sectors outperformed the broader market. The Information Technology sector performed well, largely due to Rupee depreciation. Management commentaries have so far remained positive. The Pharmaceutical sector also performed well, as Rupee depreciation augments overseas realizations. The domestic market growth remains stable for this sector.

Metal sector was the worst performing sector, with BSE Metal Index down by 17%. With fall in global metal prices and rising cost pressure, the margin of metal companies remains under pressure. Renewed fear of sovereign default in the Euro region has raised risk aversion among investors. The continued policy logjam has worsened investor sentiment towards this sector.

Banks sharply underperformed through the month as concerns on asset quality and growth

have lowered future earning expectations. The concern over possible restructuring in Aviation and Power sector has added to the bearish sentiment. The GSec yields touched a high of nearly 9% on liquidity concerns. This may adversely impact earnings on the investment portfolio of banks.

Fixed Income Market Outlook

Due to tight liquidity conditions in the market, RBI announced buyback of Government securities of INR 200 bn in November. We expect RBI to announce additional OMO's in December, as liquidity is expected to be tight due to advance tax outflows and slowing capital inflows. As expected, Government has increased FII limit for investment in Government Securities and Corporate bonds by \$5bn each.

The RBI in its policy statement on October 25th 2011, mentioned that there was a low probability of rate action in mid-quarter review of monetary policy in December, provided inflation numbers were as per expected trajectory. This would give room to RBI to address growth concerns.

We continue to expect inflationary pressures to ease, going forward. Given the recent developments, we are positive on bond market in the near term. However, uncertainty in crude oil prices, further depreciation in rupee and revision of fiscal deficit target pose risks to our positive outlook.

Equity Market Outlook

Considering the strong coupling of Indian market with global markets, the upcoming key events can have significant impact on the market.

The scheduled meeting of Euro Zone leaders during the month would be a keenly watched event. A comprehensive resolution of Euro Zone problems can provide the much needed stability to equity markets. On the domestic front, any indication of a loose monetary policy stance in the mid-quarter Credit policy would be taken positively by the market.

Given the prevailing local and global economic environment, we expect markets to remain volatile in the near term. From a valuation perspective, the market continues to look attractive from a medium to long term perspective.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 30th Nov 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	0.0%	-1.1%
Last 1 year Return	0.9%	-0.9%
CAGR since inception	6.3%	5.4%

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

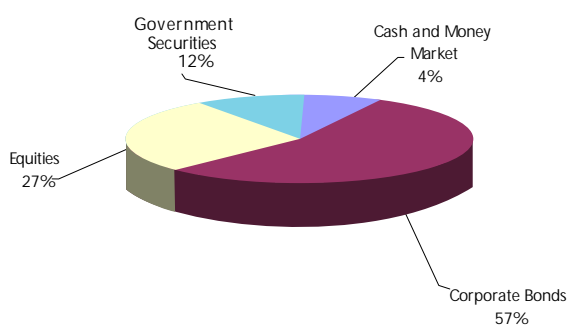
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 30th Nov 2011

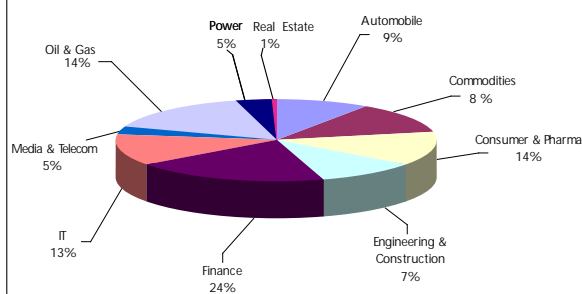
Security Name		
Government Securities	12.47%	
GOI 2021	7.42%	Sovereign
GOI 2024	5.05%	Sovereign
Corporate Bonds	56.57%	
Power Finance Corporation Ltd	9.24%	AAA
LIC Housing Finance Company Ltd	9.22%	AAA
Power Grid Corporation Ltd	9.18%	AAA
Reliance Gas Transport Infrastructure	8.67%	AAA
Larsen & Toubro Ltd	8.13%	AAA
HDFC	7.60%	AAA
TATA Sons Ltd	2.49%	AAA
Reliance Industries Ltd	2.03%	AAA
Equities	26.53%	
Infosys Technologies	2.04%	
Reliance Industries Ltd	1.81%	
ITC Ltd	1.71%	
ICICI Bank Ltd	1.43%	
HDFC Bank Ltd	1.30%	
HDFC	1.16%	
Larsen & Toubro Ltd	1.11%	
Bharti Airtel Ltd	1.04%	
Others	14.92%	
Cash And Money Market	4.43%	
Total	100.00%	

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

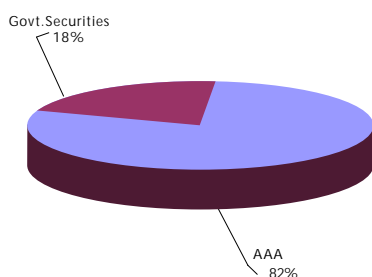
ASSET ALLOCATION



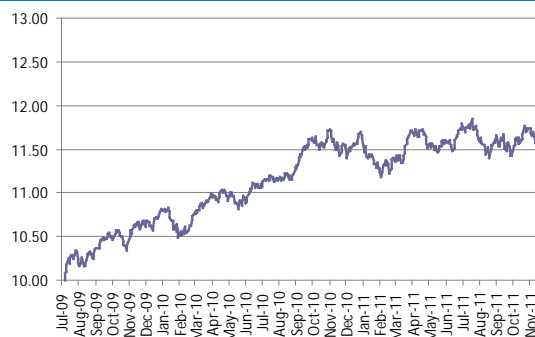
EQUITY SECTORAL BREAK-UP



CREDIT RATING OF DEBT PORTFOLIO



NAV MOVEMENT SINCE INCEPTION



(Date of inception: 07-July-2009)

UNIT-LINKED Fund

Gratuity Debt

SFIN No: ULGF00105/06/04GRADEBTFND117

As on 30th Nov 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

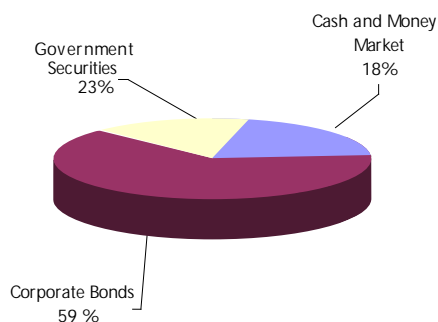
The fund would target 100% investments in Government & other debt securities to meet the stated objectives.

Gratuity Debt
Portfolio as on 30th Nov 2011

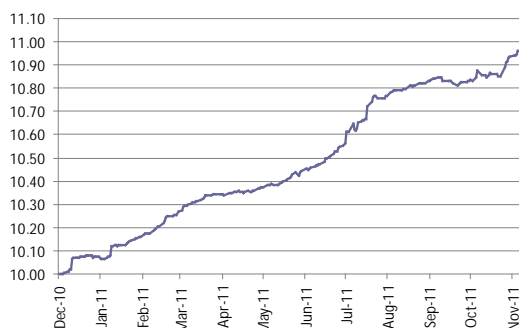
Security Name	Wt	Rating
Government Securities	22.82%	
GOI 2021	12.67%	Sovereign
GOI 2024	9.23%	Sovereign
Others	0.92%	
Corporate Bonds	59.49%	
LIC Housing Finance Company Ltd	9.06%	AAA
Power Finance Corporation Ltd	8.96%	AAA
HDFC	8.61%	AAA
Rural Electrification Corporation Ltd	8.03%	AAA
Reliance Port & Terminals Limited	7.53%	AAA
Reliance Gas Transport Infrastructure	5.41%	AAA
SAIL	3.72%	AAA
Tech Mahindra	3.47%	AAA
Power Grid Corporation Ltd	2.89%	AAA
Reliance Capital Ltd	1.80%	AAA
Cash And Money Market	17.69%	
Total	100.00%	

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

ASSET ALLOCATION

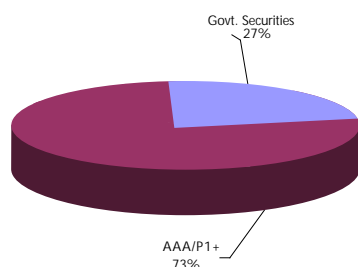


NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)

CREDIT RATING OF DEBT PORTFOLIO



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