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Met Invest

Gratuity Fund Performance Monthly Fund Update, January '12

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



ECONOMY

Indicators	Dec 2011	Jan 2012	M-o-M Variation
10-year G-Sec India (%)	8.57	8.28	-0.29
10 year AAA Corporate Bond (%)	9.42	9.29	-0.13
5 year G-Sec India (%)	8.44	8.29	-0.15
5 year AAA Corporate Bond (%)	9.52	9.36	-0.16
1 year T-Bill (%)	8.43	8.48	0.05
1 yr CD (%)	9.75	9.95	0.20
Exchange Rate (USD/INR)	53.07	49.46	-6.8%
Forex Reserves (USD Bn)	301	293	-8.00
WPI Inflation (%)	9.11	7.47	-1.64
Index of Industrial Production (IIP) (%)	-4.7	5.9	10.60
US 10 year Treasury Yield (%)	1.88	1.80	-0.08
Brent Crude Oil (USD/barrel)	107	111	3.7%
Sensex	15455	17194	11.3%
Nifty	4624	5199	12.4%

Source: RBI WSS & Bloomberg

Fixed Income Market

The Reserve Bank of India (RBI) in its Third Quarter Review of Monetary Policy reduced the cash reserve ratio (CRR) by 50 bps to 5.5%. With this move RBI infused liquidity of around Rs.32,000 crores in the system, which was facing tight liquidity conditions. The Repo rate and Reverse Repo rate were kept unchanged at 8.5% and 7.5% respectively. This action was broadly in line with consensus expectations.

By reducing CRR, RBI has attempted to address structural pressures on liquidity and mitigate downside risks to growth due to tight liquidity conditions. RBI's policy stance was clearly dovish, as it admitted that growth was decelerating. This was due to a combination of uncertain global environment, cumulative impact of past monetary policy tightening and domestic policy uncertainties.

The WPI inflation eased to 7.47% in December, the lowest level in two years. However, non-food manufacturing inflation (WPI) continued to be high at 7.69%. Fuel inflation moderated slightly, as crude oil prices remained range bound. Food inflation decelerated to 3.1% in December as compared to 8.1% in the previous month. This helped WPI inflation to cool off in December.

India's Industrial Production (IIP) growth accelerated sharply to 5.9% in November 2011.

This was above consensus expectations of 2.1%. The manufacturing output growth rebounded strongly. Notably, consumer goods growth advanced strongly to 13.1% as compared to a growth of 0.2% in October 2011.

The growth in Central government's aggregate gross tax collections decelerated to 8.6% in December from 19.6% in November. The weakness mainly reflected a fall in custom duty collections and deceleration in corporate tax collections. On FY12 basis, gross and net tax collections are running below budget estimates. The total non-tax revenues declined by 56% in December as compared to -0.4% in November. The FY12 fiscal deficit is a cause of concern and is expected to be higher than budgeted.

Bond markets rallied due to the CRR cut and continued expectations from RBI towards an easy monetary policy in the near future. Short term yields were high as the liquidity remained tight.

Equity Market

The month of January 2012 was the best New Year start for Indian equity markets in almost two decades. This rally has largely been liquidity driven, fuelled by positive economic data and increasing risk appetite among global investors. There has been a clear shift in the stance of emerging market Central Banks from reigning in inflation to focusing on economic growth. This, coupled with low interest rates in developed economies, has led to a significant rebound in manufacturing growth across various geographies.

Emerging markets outperformed developed markets with Russia, India and Brazil posting double digit returns of 14%, 12% and 11% respectively. US markets were up by 3% while Japan, UK and Germany increased by 4%, 2% and 10% respectively.

Foreign Institutional Investors (FIIs) turned positive on India after many months with almost USD 2 bn inflows as against a net outflow of USD 512 mn in 2011. INR surged by 7% on the back of strong capital inflows and recouped almost half the losses it incurred last year.

Sectoral Performance

The Banking sector was amongst the top performing sectors, as banking stocks were direct beneficiaries of the CRR reduction and expectations of a rate cut from RBI in the near future. The Quarterly results were better than expectations from private sector banks and in line from most public sector banks. Although there are continued concerns regarding credit growth, rising NPAs and restructuring of assets, market participants believe that the immediate positives outweigh the negatives.

During the month, Capital Goods and Construction sector outperformed the index, largely due to sudden investment inflows into these under-owned sectors. Better than expected results of a large engineering company, along with CRR cut by RBI helped boost investor sentiments in this sector.

Oil marketing companies performed well, as these stocks had fallen significantly and were available at reasonable valuations. During the month, Reliance Industries announced a buy back offer, which cheered investor sentiments further.

Following global cues, metal stocks rallied sharply during the month with the metal index up by 25%. Global risk aversion faded, with increased optimism about the resolution of Euro crisis and better than expected economic data from the US.

Outlook on Fixed Income Market

We expect RBI to continue OMO's (Open Market Operations) in February, 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 clearly indicated a reversal of policy stance. Although RBI is concerned about growth, it feels that inflation poses a risk.

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

Outlook on Equity Market

From a policy action and reforms standpoint, the New Year has begun with quite a few important policy actions, notably FDI in single brand retail, Aviation Ministry's nod for 49% FDI in civil aviation and greater coordination among key states for implementing of goods and services tax (GST).

RBI has taken several measures to reduce liquidity stress and attract capital. In addition to injecting money in the economy, the 50 bps CRR cut announced in the last credit policy has clearly signaled that inflation pressures have subsided. The deregulation of NRE deposit rates are welcome steps for attracting foreign capital.

Post the recent sharp upward movement, markets may consolidate ahead of state elections and the Union Budget. Though global data points continue to show improving trend, the European situation is still unresolved and may remain a key overhang. Notwithstanding the near term concerns, we remain optimistic on Indian equity markets.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 31st Jan 2012

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	2.5%	1.6%
Last 1 year Return	6.2%	4.0%
CAGR since inception	7.5%	6.6%

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

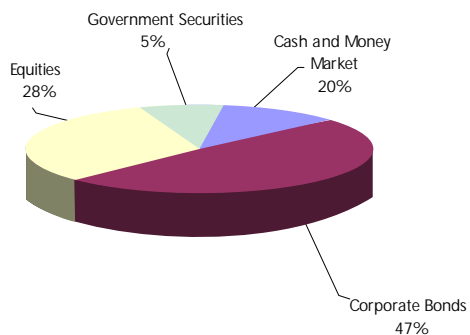
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 31st Jan 2012

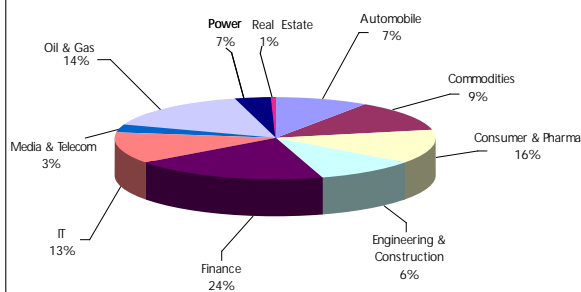
Security Name	Wt	Rating
Government Securities	5.21%	
GOI 2021	5.21%	Sovereign
Corporate Bonds	47.07%	
LIC Housing Finance Company Ltd	9.43%	AAA
Reliance Gas Transport Infrastructure	9.07%	AAA
IL&FS	7.88%	AAA
HDFC	7.83%	AAA
TATA Sons Ltd	7.64%	AAA
Reliance Industries Ltd	2.07%	AAA
Power Grid Corporation Ltd	1.88%	AAA
Power Finance Corporation Ltd	1.27%	AAA
Equities	28.30%	
Infosys Technologies	2.20%	
Reliance Industries Ltd	1.85%	
ITC Ltd	1.78%	
ICICI Bank Ltd	1.51%	
HDFC Bank Ltd	1.48%	
HDFC	1.33%	
Larsen & Toubro Ltd	1.00%	
Others	17.16%	
Cash And Money Market	19.43%	
Total	100.00%	

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

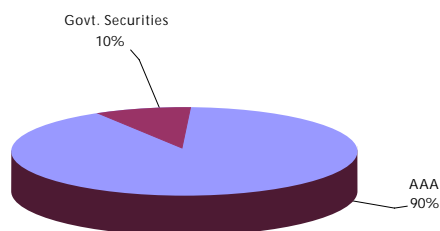
ASSET ALLOCATION



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 31st Jan 2012

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	6.8%	4.5%
Last 1 year Return	12.4%	8.1%
CAGR since inception	12.2%	7.3%

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

Benchmark Index

Debt

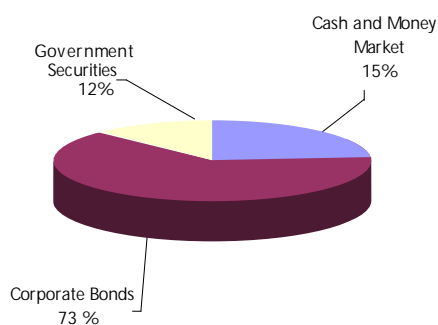
CRISIL Composite Bond Fund Index

Gratuity Debt
Portfolio as on 31st Jan 2012

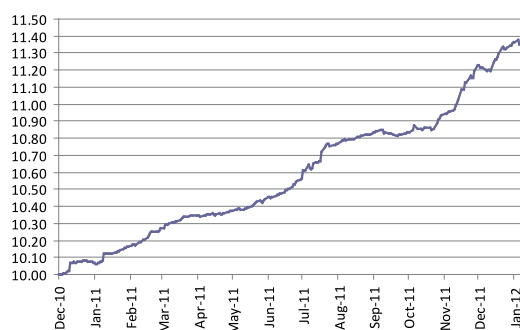
Security Name	Wt	Rating
Government Securities	11.87%	
GOI 2024	10.67%	Sovereign
Others	1.20%	
Corporate Bonds	72.92%	
IL&FS	8.77%	AAA
TATA Sons Ltd	8.48%	AAA
LIC Housing Finance Company Ltd	8.48%	AAA
Power Finance Corporation Ltd	8.28%	AAA
HDFC	8.05%	AAA
Rural Electrification Corporation Ltd	7.47%	AAA
Reliance Port & Terminals Limited	7.17%	AAA
Reliance Gas Transport Infrastructure	5.16%	AAA
SAIL	3.46%	AAA
Tech Mahindra	3.23%	AAA
Power Grid Corporation Ltd	2.69%	AAA
Reliance Capital Ltd	1.68%	AAA
Cash And Money Market	15.21%	
Total	100.00%	

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

ASSET ALLOCATION

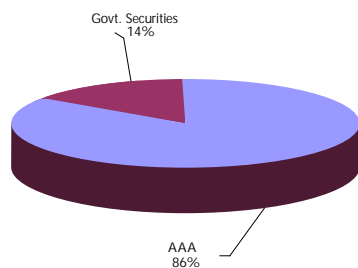


NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)

CREDIT RATING OF DEBT PORTFOLIO



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