

# MetLife®

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# Met Invest

## Gratuity Fund Performance Monthly Fund Update, March '12

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



# ECONOMY

## ECONOMY

Indicators	Feb 2012	Mar 2012	M-o-M Variation
10-year G-Sec India (%)	8.20	8.54	0.34
10 year AAA Corporate Bond (%)	9.27	9.51	0.24
5 year G-Sec India (%)	8.33	8.60	0.27
5 year AAA Corporate Bond (%)	9.33	9.55	0.22
1 year T-Bill (%)	8.45	8.38	-0.07
1 yr CD (%)	10.30	10.15	-0.15
Exchange Rate (USD/INR)	49.02	50.88	3.8%
Forex Reserves (USD Bn)	295	295	0.00
WPI Inflation (%)	6.55	6.95	0.40
Index of Industrial Production (IIP) (%)	2.5	6.8	4.30
US 10 year Treasury Yield (%)	1.97	2.21	0.24
Brent Crude Oil (USD/barrel)	122.66	122.88	0.2%
Sensex	17753	17404	-2.0%
Nifty	5385	5296	-1.7%

Source: RBI WSS & Bloomberg

### Fixed Income Market

The month of March was negative for debt market primarily due to tight liquidity conditions, announcement of a huge borrowing calendar and weakening Balance of Payments (BoP).

The FY13 Union Budget was broadly on expected lines. However, there was a surprise on account of large government borrowings. The FY13 deficit has been pegged at 5.1% of GDP.

The Reserve Bank of India (RBI) in its mid-quarter review of monetary policy kept the Repo and Reverse Repo rate unchanged at 8.5% and 7.5% respectively. Earlier in the month, the Cash Reserve Ratio (CRR) was lowered by 75 bps to 4.75% to ease tight liquidity conditions.

WPI headline inflation increased marginally to 6.95% in March. RBI in its policy review highlighted that inflation has been moderating in regard to both headline and core (non-food manufactured) inflation. However, upside risk to inflation had increased from the recent surge in crude oil price, fiscal slippage and rupee depreciation. There continues to be significant

suppressed inflation in fuel, fertilizer and power prices as administered prices do not fully reflect the market prices.

The Index of Industrial production (IIP) growth accelerated to 6.8% in January 2012 compared to 2.5% in December 2011. This was above the Bloomberg consensus estimate.

The long term yields hardened due to announcement of large Government borrowing in FY13. Due to tight liquidity conditions in the bond market, the short term yields moved up sharply during the month. However, the yields cooled off in the last week. The one year CD rates moved up to 10.95%.

### Equity Market

After having risen by 16% during the first two months of 2012, Indian equity markets took a breather in March amidst important political and economic events. From a political standpoint this was an important month, as election results of four key states as well as the FY 2013 Union Budget was presented. The outcome of both these events was a mixed bag for Equity market, with Nifty declining by 2% and CNX Midcap index closing flat in March.

The Developed markets outperformed Emerging markets during the month with US, Japan and Germany posting 2%, 4% and 1% gain respectively. China, Russia and Brazil fell by 7%, 6% and 2% respectively.

The fears of slowdown in Chinese economy intensified during the month and led to a fall in the prices of industrial metals. Aluminum declined by 9% while Zinc fell by 5%. Crude oil price remained unchanged at USD 123 a barrel.

The Foreign investors (FIIs) continued to remain positive on India with net inflow of USD 1.7 bn in March. The YTD foreign inflows now stand at USD 9.1 bn.

# MARKET OUTLOOK

## Sectoral Performance

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The Fast Moving Consumer Goods (FMCG) and Pharmaceutical sectors outperformed Nifty index during the month, as investors shifted to defensive sectors. In addition to positive investor sentiment, fundamental factors such as product launches in US and strong domestic sales performance also helped pharmaceutical companies outperform the index.

Cement stocks outperformed the market led by positive news flow on price hikes and demand improvement. The recent price hikes by cement companies will help them to maintain profit margin, despite increasing cost pressures. The infrastructure boost and minimal impact of excise duty proposed in the Union Budget further aided positive sentiment in the sector.

The Power sector significantly underperformed the Nifty index. This was due to increasing uncertainty over coal availability to power producers, after the concerns raised in CAG report became public. The Government has been trying to resolve coal availability issue by arranging better and reliable supply contracts.

The banking stocks were range bound in the month. The CRR reduction was largely in line with expectations as tight liquidity conditions prevailed. The RBI maintained status quo on policy rates. Accordingly, market expectations regarding rate cuts were tempered, leading to a sell-off in banks towards end of the month.

## Outlook on Fixed Income Market

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We expect liquidity to remain tight due to scheduled borrowings of around 15,000 to 18,000 crores every week. Bond yields are expected to remain under pressure primarily due to the huge borrowing announcements in FY13. As stated earlier, RBI's policy actions may not be aggressive due to the prevailing high crude oil prices. However, the low GDP growth rate registered in the December 2011 quarter may prompt RBI to consider reducing the Repo rate in April 2012 Policy review.

We continue to expect inflationary pressures to ease, going forward. However, due to huge supply of government bonds, yields may be range bound and will be under pressure. Given expectations of falling inflation and declining interest rate scenario, we are cautiously optimistic on bond market, going forward.

## Outlook on Equity Market

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The macro-economic environment in developed economies appears to be improving led by resilient economic growth in US and stabilizing European region. China, the world's second largest economy, is opting for a balanced growth by focusing more on domestic consumption growth.

The government in its recent Economic Survey pegged India's FY13 GDP growth at 7.6%, as against 6.9% for FY12, led by moderating inflation and lowering of policy rates, thereby boosting domestic savings and investment rate. In the Union Budget, the government also aimed bringing down fiscal deficit to 5.1% of GDP from 5.9% in FY12, through a cut in subsidies and increase in indirect taxes.

While these headline numbers indicate an improving economic trend, the earnings downgrade cycle for companies appear to have bottomed out. The upcoming monetary policy meet in April is likely to provide a roadmap for interest rate trajectory going forward. A cut in key policy rates would signal a shift in the Central Bank's focus from managing inflation to augmenting growth.

In our opinion, the current equity valuations are attractive from a medium to long term perspective. We continue to remain positive on Indian equity markets.

# UNIT-LINKED Fund

## Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 31st March 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	5.9%	5.3%
Last 1 year Return	4.9%	2.6%
CAGR since inception	7.6%	6.7%

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

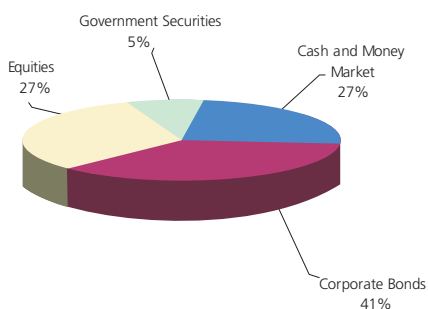
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

### Gratuity Balanced Portfolio as on 31 Mar 2012

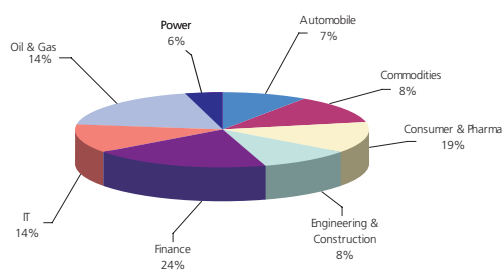
Security Name	Wt	Rating
<b>Government Securities</b>	<b>5.09%</b>	
GOI 2021	5.09%	Sovereign
<b>Corporate Bonds</b>	<b>41.72%</b>	
Reliance Gas Transport Infrastructure	8.92%	AAA
HDFC	7.76%	AAA
IL&FS	7.75%	AAA
TATA Sons Ltd	7.60%	AAA
LIC Housing Finance Company Ltd	4.51%	AAA
Reliance Industries Ltd	2.06%	AAA
Power Grid Corporation Ltd	1.87%	AAA
Power Finance Corporation Ltd	1.26%	AAA
<b>Equities</b>	<b>26.59%</b>	
Infosys Ltd.	2.29%	
ITC Ltd	1.88%	
Reliance Industries Ltd	1.69%	
HDFC Bank Ltd	1.56%	
ICICI Bank Ltd	1.24%	
HDFC	1.24%	
Larsen & Toubro Ltd	1.08%	
Tata Consultancy Services Ltd	1.02%	
Others	14.61%	
<b>Cash And Money Market</b>	<b>26.60%</b>	
<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

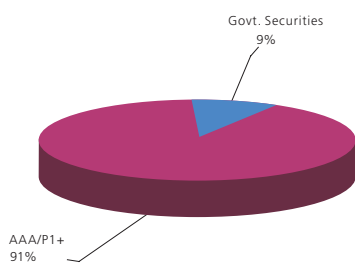
### ASSET ALLOCATION



### 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 31st March 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	5.9%	4.5%
Last 1 year Return	11.2%	7.7%
CAGR since inception	11.3%	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

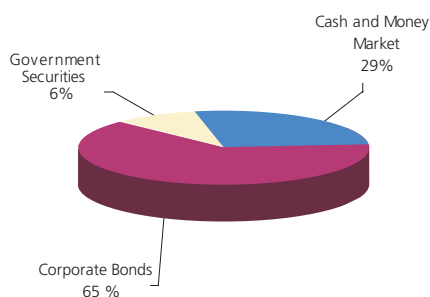
### Security type

Debt

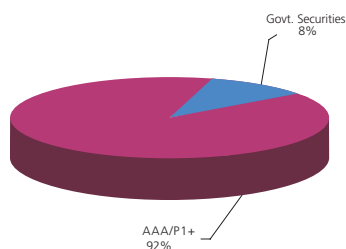
### Benchmark Index

CRISIL Composite Bond Fund Index

### ASSET ALLOCATION



### CREDIT RATING OF DEBT PORTFOLIO

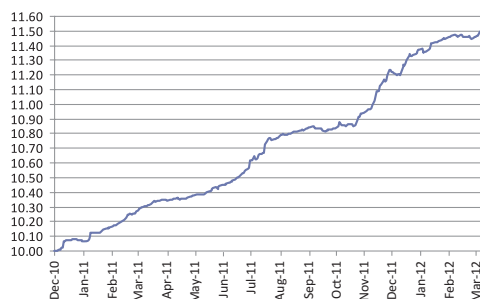


### Gratuity Debt Portfolio as on 31 Mar 2012

Security Name	Wt	Rating
<b>Government Securities</b>	<b>6.04%</b>	
GOI 2024	4.92%	Sovereign
Others	1.12%	
<b>Corporate Bonds</b>	<b>65.39%</b>	
IL&FS	8.15%	AAA
TATA Sons Ltd	7.97%	AAA
HDFC	7.57%	AAA
LIC Housing Finance Company Ltd	7.21%	AAA
Rural Electrification Corporation Ltd	7.03%	AAA
Reliance Port & Terminals Limited	6.68%	AAA
Power Finance Corporation Ltd	5.57%	AAA
Reliance Gas Transport Infrastructure	4.80%	AAA
SAIL	3.26%	AAA
Tech Mahindra	3.04%	AAA
Power Grid Corporation Ltd	2.54%	AAA
Reliance Capital Ltd	1.58%	AAA
<b>Cash And Money Market</b>	<b>28.57%</b>	
<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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