

# MetLife<sup>®</sup>

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# Met Invest

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

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



## ECONOMY

Indicators	Apr 2012	May 2012	M-o-M Variation
10-year G-Sec India (%)	8.67	8.50	-0.17
10 year AAA Corporate Bond (%)	9.42	9.36	-0.06
5 year G-Sec India (%)	8.49	8.31	-0.18
5 year AAA Corporate Bond (%)	9.41	9.40	-0.01
1 year T-Bill (%)	8.19	8.19	0.00
1 yr CD (%)	9.77	9.88	0.11
Exchange Rate (USD/INR)	52.74	56.11	6.4%
Forex Reserves (USD Bn)	295	288	-7.00
WPI Inflation (%)	6.89	7.23	-0.34
Index of Industrial Production (IIP) (%)	4.1	-3.5	-7.6
US 10 year Treasury Yield (%)	1.91	1.56	-0.36
Brent Crude Oil (USD/barrel)	119.47	101.87	-14.7%
Sensex	17319	16219	-6.4%
Nifty	5248	4942	-6.2%

Source: RBI WSS & Bloomberg

### Fixed Income Market

The month of May continued with a negative spell for overall economy with growth continuing on a downward trend, currency depreciating by 6.4 percent, current account deficit widening and increasing concerns over revival of world economy. The GDP growth number for last quarter came in significantly lower than expectation. This acted as a positive trigger for the bond market, leading to decline in bond yields and thereby, increases in GSec and corporate bond prices. The 10 year benchmark yield fell by 17 basis points.

There was a sharp fall in fourth quarter GDP growth to 5.3 percent against consensus expectation of 6.1 percent. This was even lower than GDP growth of 5.6 percent achieved during credit crisis period (Q3 FY2008). The lower GDP growth in Q4 has resulted in overall FY2012 growth of 6.5 percent. This is significantly lower than GDP growth of 8.4 percent in FY2011. The weak GDP growth number continues to reflect persistent slowdown in economic activity in the country.

Coupled with slow growth in GDP, the headline WPI inflation increased to 7.23 percent in April

compared to 6.90 percent in March. In addition to this, depreciation of INR along with increase in fuel prices is expected to add to inflationary pressures, going forward. Decreasing exports, increasing imports and decline in foreign investments continues to put further pressure on INR.

The overall economic situation remained dismal in May 2012. The deteriorating international environment continues to be a big overhang on Indian economy.

### Equity Market

The escalating worries of Greece exiting from Eurozone created significant tension in global markets. Major global equity indices declined by 6-7% during the month. The Nifty Index corrected by 6.2% during the month. Crude oil prices (Brent crude) declined sharply by around 15%, as Eurozone turbulence coupled with sluggish US economic recovery made investors nervous.

On the domestic front, the month of May saw a slew of negative data releases. Growth concerns resurfaced, with India's economic growth rate slipping to 5.3% in fourth quarter, pulling down annual growth rate to 6.5%. This is the lowest GDP growth rate in last nine years. The dip in growth rate was mainly due to poor performance of manufacturing and farm sectors. Inflation remained high at 7.23% in April compared to 6.89% in March, largely on account of higher prices of primary articles. The Index of Industrial Production (IIP) growth fell to -3.5% in March '12 compared to 4.1% rise in the previous month. The situation was further worsened by depreciation of INR, which lost 6.6% in May. This was largely on account of worsening Current Account Deficit.

FIs were net sellers with a net outflow of USD 70mn, as compared to an outflow of USD 250mn in the previous month.

### Sectoral Performance

The Government announced final subsidy sharing details for Oil Marketing Companies, with 60% share to be borne by Government

# MARKET OUTLOOK

and 40% share by upstream companies. This cleared the uncertainty around subsidy sharing and was taken positively by the market. In the steepest ever increase, petrol prices were raised by Rs 6.28/litre, excluding local sales tax. This was the first hike in rates in last six months. The BSE Oil Index outperformed the market during the month.

The Automobile sector significantly underperformed broader market on the back of sedate growth numbers and disappointing quarterly results from some of the automobile companies. The growth in this sector was quite strong in March and April, largely due to pre-budget buying. However, the trend was weak in May owing to rise in fuel prices and the economic slowdown. Going forward, the progress on monsoon and trend in fuel prices remain key measurables for the Automobile sector.

The Banking stocks performed negatively in May. Most PSU Banks reported increase in NPAs (non-performing assets) and restructured assets in March quarter results. This led to earnings downgrades, as market participants expect increase in credit costs which could offset the increase in profitability. The GDP growth decline and poor IIP data indicates a possible decline in credit growth outlook for the banking sector.

## Outlook on Fixed Income Market

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The present inflation level is higher than RBI's comfort zone of 5-6%. This prevents significant easing of monetary policy. Given this environment, key challenge for RBI is to manage inflation, while at the same time stimulate GDP growth. Although decline in crude oil prices would have a soothing impact on inflation, the rapid depreciation of INR could mitigate its impact.

We expect large Government Security issuances to be supported by OMOs (Open Market Operations) by RBI. This could keep yields from rising. Another positive has been easing of market liquidity position, as measured by Liquidity Adjustment Facility (LAF) window of RBI. The mid-quarter policy review of RBI in June

is keenly awaited by the market and would weigh strongly on future movement of bond yields.

We expect GSec yields to be range bound in the near term and maintain a neutral stance.

## Outlook on Equity Market

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The fourth quarter results have been mixed. The deterioration in Euro zone has increased risk aversion globally. In our opinion, given the domestic and global macro-economic situation, equity markets are likely to remain volatile in the near-term. We believe that policy action by the government could be a positive trigger for markets. Based on current valuations, Indian markets look attractive from a medium to long-term perspective.

# UNIT-LINKED Fund

## Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

### As on 31st May 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	5.1%	3.9%
Last 1 year Return	5.1%	2.8%
CAGR since inception	7.0%	5.9%

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

Equity  
Debt

### Benchmark Index

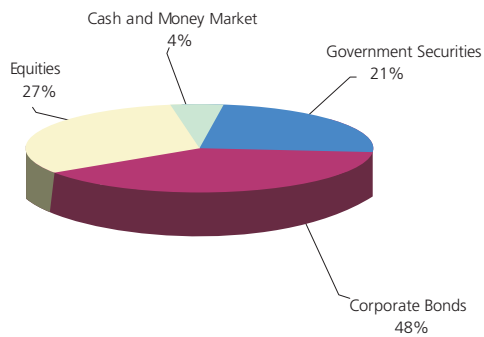
S&P CNX Nifty  
CRISIL Composite Bond Fund Index

### Gratuity Balanced Portfolio as on 31 May 2012

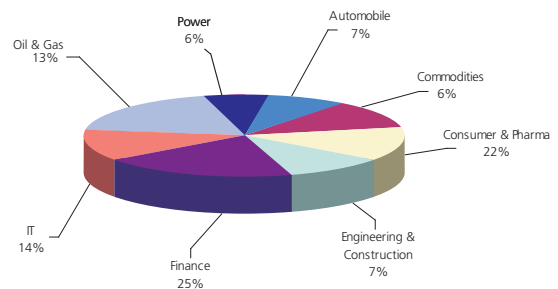
Security Name	Wt	Rating
<b>Government Securities</b>	<b>20.63%</b>	
GOI 2021	7.77%	Sovereign
GOI 2020	7.53%	Sovereign
GOI 2024	5.33%	Sovereign
<b>Corporate Bonds</b>	<b>47.76%</b>	
Reliance Gas Transport Infrastructure	9.03%	AAA
HDFC	7.85%	AAA
IL&FS	7.84%	AAA
TATA Sons Ltd	7.64%	AAA
LIC Housing Finance Company Ltd	7.09%	AAA
Reliance Industries Ltd	5.16%	AAA
Power Grid Corporation Ltd	1.88%	AAA
Power Finance Corporaion Ltd	1.27%	AAA
<b>Equities</b>	<b>27.44%</b>	
ITC Ltd	1.91%	
Infosys Ltd.	1.88%	
Reliance Industries Ltd	1.60%	
HDFC Bank Ltd	1.52%	
ICICI Bank Ltd	1.35%	
HDFC	1.29%	
Tata Consultancy Services Ltd	1.09%	
Larsen & Toubro Ltd	1.00%	
Others	15.81%	
<b>Cash And Money Market</b>	<b>4.17%</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

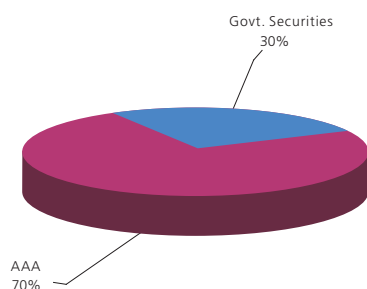
### ASSET ALLOCATION



### 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 May 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	6.0%	4.7%
Last 1 year Return	12.2%	8.9%
CAGR since inception	11.1%	7.5%

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

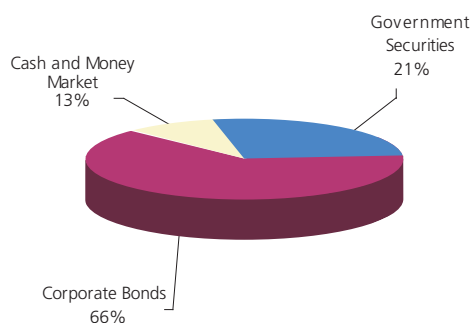
CRISIL Composite Bond Fund Index

### Gratuity Debt Portfolio as on 31 May 2012

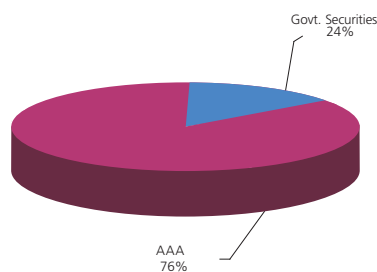
Security Name	Wt	Rating
<b>Government Securities</b>	<b>21.19%</b>	
GOI 2024	8.22%	Sovereign
GOI 2021	8.10%	Sovereign
GOI Oil Bond 2012	4.65%	Sovereign
Others	0.22%	
<b>Corporate Bonds</b>	<b>65.56%</b>	
LIC Housing Finance Company Ltd	8.65%	AAA
IL&FS	8.07%	AAA
TATA Sons Ltd	7.85%	AAA
Reliance Industries Ltd	7.70%	AAA
HDFC	7.45%	AAA
Rural Electrification Corporation Ltd	6.91%	AAA
Power Finance Corporation Ltd	5.49%	AAA
Reliance Gas Transport Infrastructure	4.75%	AAA
SAIL	3.21%	AAA
Tech Mahindra	2.99%	AAA
Power Grid Corporation Ltd	2.50%	AAA
<b>Cash And Money Market</b>	<b>13.25%</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

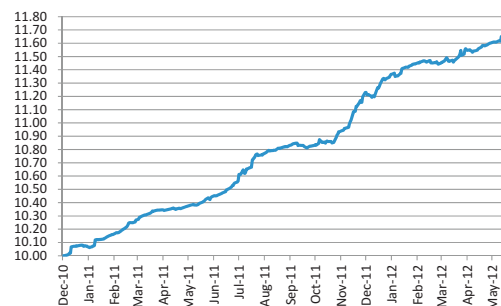
### ASSET ALLOCATION



### CREDIT RATING OF DEBT PORTFOLIO



### NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)



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(Insurance Regulatory and Development Authority,

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