

## **MetInvest**

# **Gratuity Fund Performance Monthly Fund Update, August'12**

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



### **ECONOMY**

#### **ECONOMY**

Indicators	Jul-12	Aug-12	M-o-M Variation
10 year GSec (%)	8.25	8.24	-0.01
10 year AAA Corporate Bond (%)	9.53	9.45	-0.08
5 year GSec (%)	8.19	8.23	0.04
5 year AAA Corporate Bond (%)	9.54	9.47	-0.07
1 year T-Bill (%)	8.00	8.09	0.09
1 year CD (%)	9.15	9.07	-0.08
Exchange Rate (USD/INR)	55.66	55.53	-0.23%
Forex Reserves (USD bn)	289	290	1.0
WPI Inflation (%)	7.25	6.87	-0.38
IIP (%)	2.5	-1.8	-4.30
US 10 year Treasury Yield (%)	1.47	1.55	0.08
Brent Crude Oil (USD/barrel)	104.9	114.57	9.2%
Sensex	17236	17430	1.12%
Nifty	5229	5259	0.56%

Source: RBI WSS & Bloomberg

#### **Economy**

Weakness in the global economy continued in August 2012 with disappointing data on economic growth and manufacturing coming from most countries. However, global equity markets and commodities were buoyant on account of ECB's (European Central Bank) assurance that it would take concrete steps to save the Eurozone. In addition to this, hopes of Quantitative Easing III (monetary easing) from the US Federal Reserve also supported equity markets.

On domestic front, the Indian economy continued to struggle with falling growth and high inflation, coupled with lack of policy action from the Government. The growth in Index of Industrial Production (IIP) for the month of June 2012 was negative 1.8% (de-growth). This was lower than the consensus expectation of 0.4% growth.

The Q1 FY13 GDP growth was 5.5% compared to 5.3% growth during Q4 FY12 (March quarter). This was on account of good numbers from the construction and services sector. The Indian Rupee (INR) was stable versus USD in the month of August.

The WPI (Wholesale Price Index) inflation for July 2012 was lower at 6.87% compared to 7.25% for June. However, non-food manufacturing inflation (core inflation), which is closely watched by RBI, was 5.4% as against 4.9% in the previous month.

#### **Fixed Income Market**

The Government securities market was rangebound in August. With RBI clearly mentioning that the primary focus of monetary policy was to control inflation, the sentiment in GSec market was cautious at beginning of the month.

The lower IIP growth number of June coupled with lower inflation data improved market sentiment. As a result there was some buying interest seen in market, which started getting hopeful about a possible reduction in policy rates by RBI. The yield on 10-year Government security paper touched a low of 8.14% by second week of the month.

However, RBI officials continued to maintain a hawkish stance and reiterated that they would endeavor to bring inflation down to 5% or lower. This brought back bearish sentiment in the market as hopes of rate cut by RBI started waning. By end of the month, the yield on 10-year Government security climbed back to 8.24%.

#### **Outlook on Fixed Income Market**

Going forward, the yields in Government securities market are expected to remain range bound. With inflation remaining high and sticky, the consensus expectation of a rate cut by RBI in the September Mid quarter review of Monetary policy is quite low. However, if liquidity stress becomes severe, RBI may conduct Open Market Operations (OMOs), which would be positive for bond yields.

## MARKET OUTLOOK

#### **Equity Market**

August was a volatile month for the Indian equity market. During the month, market rose to close to a five-month high owing to expectations of fiscal and economic reforms. The gains were short-lived and markets ended flat, as political crisis took centre stage after the CAG report on coal block allocation was presented in the Parliament.

The GDP growth rate for Q1FY13 came in at 5.5%. This was the second consecutive quarter of below 6% growth for the Indian economy. An analysis of GDP data showed that the industrial growth cycle had weakened further while services and consumption growth had started moderating.

The rainfall situation in the country improved significantly in August with deficiency declining from 19% in July-end to 13% at the end of August.

Globally, equity markets rallied amid expectations of monetary easing and economic stimulus from the US Federal Reserve as well as continued positive comments from Eurozone leaders. Almost all major markets ended positive, except China which fell by 3% due to growth concerns.

FII flows continued to remain positive with USD 1.5 billion of net inflow during the month. FII inflows have significantly supported the Indian equity market in 2012, despite a gloomy domestic macro-economic environment.

#### **Sectoral Performance**

The Information Technology (IT) sector outperformed during the month as positive news flow from US and Europe alleviated near term growth concerns. This sector derives bulk of its revenues from western economies and a stable economic environment augurs well for the sector. Although rupee depreciation has been favourable for this sector, the growth prospect of top-tier companies has been a key negative point highlighted by investors.

The Fast Moving Consumer Goods (FMCG) sector too did well owing to its defensive nature and earnings resilience. Revival in monsoon not only helps in sustaining demand momentum from rural part of the country, but also helps in margin expansion as input cost pressures subside.

The Banking and Financial services sector underperformed the market, largely due to fresh news of defaults and expected increase in restructured / non-performing assets (NPAs). The under performance was primarily in PSU Banks which face twin pressures emanating from expected increase in NPAs coupled with weak credit demand. The investment preference during the month was clearly in favour of private sector banks. In the current scenario, private sector banks are better poised as they have tightened credit norms for corporate loans. In addition to this, these banks are increasingly focusing on the retail business, where credit exposures are more diversified.

The metal stocks significantly underperformed the market in August. Weak PMI (Purchasing Managers Index) numbers from China aggravated investor nervousness. On domestic front, the tabling of CAG report in Parliament on coal block allocation triggered fears of deallocation of some of the coal blocks. However, many domestic companies have a captive coal block, which provides them a cost advantage in an uncertain global pricing environment.

#### **Outlook on Equity Market**

Though the current political scenario remains gloomy and expectations of any major reforms seem to be waning, equity market valuations are reasonable. However, the revival in economic growth hinges, to a large extent, on reduction in interest rates and pro-growth reforms. Notwithstanding the current despondency, market direction in the near term appears to be dependent primarily on global developments. As always, it is difficult to time the market. In our opinion, the current valuation zone of Indian equity market provides a good margin of safety for long term investors.

## UNIT-LINKED Fund

#### **Gratuity Balanced**

SFIN No: ULGF00205/06/04GRABALANCE117

#### As on 31st Aug 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	3.3%	2.1%
Last 1 year return	9.5%	7.6%
CAGR since inception	7.7%	6.6%

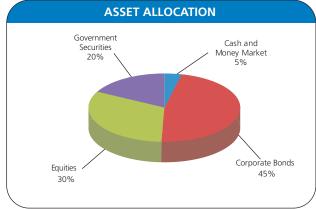
Past performance is not indicative of future performance

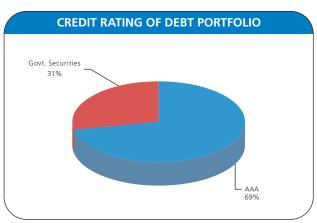
**Note:** Benchmark has been calculated as per the target holding of the fund i.e. 30% Equity and 70% Debt Securities

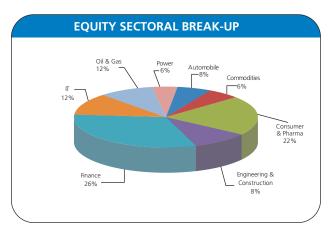
Security type	Benchmark Index	
Equity	S&P CNX Nifty	
Debt	CRISIL Composite Bond Fund Index	

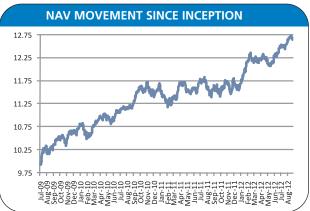
Gratuity Balanced Portfolio as on 31 Aug 2012		
Security Name	Wt	Rating
Government Securities	19.99%	
GOI 2021	7.54%	Sovereign
GOI 2020	7.29%	Sovereign
GOI 2024	5.17%	Sovereign
Corporate Bonds	45.26%	
Reliance Gas Transport Infrastructure	8.81%	AAA
IL&FS	7.66%	AAA
Gail (India) Ltd	7.31%	AAA
LIC Housing Finance Company Ltd	6.93%	AAA
Reliance Industries Ltd	5.02%	AAA
HDFC	3.96%	AAA
TATA Sons Ltd	2.49%	AAA
Power Grid Corporation Ltd	1.84%	AAA
Power Finance Corporation Ltd	1.24%	AAA
Equities	29.39%	
ITC Ltd	2.07%	
Infosys Ltd.	1.78%	
HDFC Bank Ltd	1.74%	
Reliance Industries Ltd	1.68%	
ICICI Bank Ltd	1.68%	
HDFC	1.56%	
Tata Consultancy Services Ltd	1.05%	
Larsen & Toubro Ltd	1.05%	
Others	16.77%	
Cash And Money Market	5.36%	
Total	100.00%	

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









(Date of inception: 07-July-2009)

## **UNIT-LINKED Fund**

#### **Gratuity Debt**

SFIN No: ULGF00105/06/04GRADEBTFND117

#### As on 31st Aug 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.

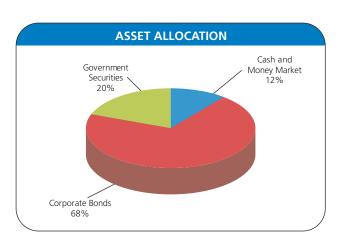
Portfolio Return		
Returns	NAV	Benchmark
Last 6 months return	4.4%	4.1%
Last 1 year return	10.9%	8.7%
CAGR since inception	11.2%	7.7%

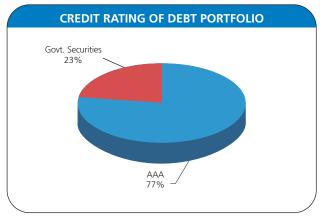
Past performance is not indicative of future performance

**Note:** Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities

Security type Benchmark Inde
------------------------------

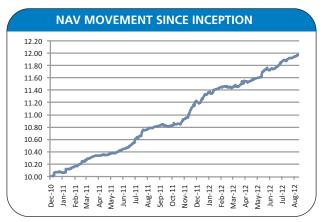
Debt CRISIL Composite Bond Fund Index





Contractor		
Gratuity Debt		
Portfolio as on 31 Aug 2012	18/4	Dating
Security Name	Wt	Rating
Government Securities	20.52%	
GOI 2030	15.14%	Sovereign
GOI OIL Bond 2026	5.06%	Sovereign
Others	0.31%	
Corporate Bonds	67.84%	
LIC Housing Finance Company Ltd	8.19%	AAA
Reliance Ports And Terminals Ltd	7.80%	AAA
IL&FS	7.62%	AAA
TATA Sons Ltd	7.41%	AAA
Gail (India) Ltd	7.28%	AAA
Reliance Industries Ltd	7.26%	AAA
Power Finance Corporation Ltd	5.18%	AAA
Reliance Gas Transport Infrastructure	4.49%	AAA
HDFC	4.39%	AAA
SAIL	3.04%	AAA
Tech Mahindra	2.82%	AAA
Power Grid Corporation Ltd	2.36%	AAA
Cash And Money Market	11.64%	
Total	100.00%	

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



(Date of inception: 20-December-2010)

## **MetLife**<sup>®</sup>

peace of mind. guaranteed.

MetLife India Insurance Co. Ltd.
(Insurance Regulatory and Development Authority,
Life Insurance Registration No.117)
Registered Office: 'Brigade Seshamahal',
5 Vani Vilas Road,
Basavanagudi, Bangalore-560004.
Tel: +91 80-2643 8638.
Toll Free: 1-800-425-6969
www.metlife.co.in

#### MetLife India Insurance Co. Ltd. Insurance is the subject matter of the solicitation. LD/2012-13/237. EC139.

• For more details on risk factors, terms and conditions, please read product sales brochure carefully before concluding a sale • Unit-Linked Life Insurance products are different from the traditional insurance products and are subject to the risk factors • The premium paid in Unit-Linked Life Insurance Policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of Fund and factors influencing the capital market and the insured is responsible for his/her decisions. The name of the Insurance Company and the name of the Unit-Linked Life Insurance contract does not in any way indicate the quality of the contract, its future prospects or returns. Please know the associated risks and the applicable charges, from your Insurance agent or the Intermediary or the Policy Document • The various Funds offered are the names of the Funds and do not in any way indicate the quality of these plans, their future prospects and returns. The Unit-Linked Funds don't offer a guaranteed or assured return.

The fund update provided by MetLife India Insurance Company Limited ("MetLife") is for general informational purposes only. This information is not intended as investment advice, or as an endorsement, recommendation or sponsorship of any company, security, or fund. The opinions and analyses included in the information are based from sources believed to be reliable and written in good faith, but no representation or warranty, expressed or implied is made as to their accuracy, completeness or correctness. MetLife cannot and do not assess or guarantee the suitability or profitability of any particular investment, or the potential value of any investment or informational source. You should seek the advice of a qualified securities professional before making any investment. The information contained herein does not suggest or imply and should not be construed, in any manner, a guarantee of future performance. Past performance does not guarantee future results.

"S&P®" and "Standard and Poor's®" are trademarks of Standard and Poor's Financial Services LLC ("S&P"), and have been licensed for use by India Index Services & Products Limited in connection with the S&P CNX Nifty Index. "The Gratuity Balanced Fund is not sponsored, endorsed, sold or promoted by India Index Services & Products Limited ("IISL") or Standard & Poor's ("S&P"), a Delaware limited liability company. Neither IISL nor S&P makes any representation or warranty, express or implied, to the owners of the Fund or any member of the public regarding the advisability of investing in securities generally or in the Gratuity Balanced Fund.

The Fund is not sponsored, endorsed, sold or promoted by India Index Services & Products Limited (IISL). IISL does not make and expressly disclaims any representation or warranty, express or implied (including warranties of merchantability or fitness for particular purpose or use) regarding the advisability of investing in the Fund linked to S&P CNX Nifty Index or particularly in the ability of the S&P CNX Nifty Index to track general stock market performance in India.

#### Indices provided by CRISIL

CRISIL Indices are the sole property of CRISIL Limited (CRISIL). CRISIL Indices shall not be copied, retransmitted or redistributed in any manner for any commercial use. CRISIL has taken due care and caution in computation of the Indices, based on the data obtained from sources, which it considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Indices and is not responsible for any errors or for the results obtained from the use of the Indices. CRISIL especially states that it has no financial liability whatsoever to the users of CRISIL Indices.

Compound annual growth rate (CAGR) is rounded to nearest 0.1%