

# MetLife<sup>®</sup>

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# Met Invest

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

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



## ECONOMY

Indicators	Oct-12	Nov-12	M-o-M Variation
10 year GSec (%)	8.22	8.18	-0.04
10 year AAA Corporate Bond (%)	9.00	9.00	0.00
5 year GSec (%)	8.18	8.16	-0.02
5 year AAA Corporate Bond (%)	8.99	9.00	0.01
1 year T-Bill (%)	8.02	8.07	0.05
1 year CD (%)	8.63	8.76	0.13
WPI Inflation (%)	7.81	7.45	-0.36
IIP (%)	2.70	-0.40	-3.10
US 10 year Treasury Yield (%)	1.69	1.62	-0.07
Exchange Rate (USD/INR)	53.81	54.27	0.8%
Forex Reserves (USD bn)	295	295	0.00
Brent Crude Oil (USD/barrel)	109	111	2.3%
Sensex	18505	19340	4.5%
Nifty	5620	5880	4.6%

Source: Bloomberg, Reuters and WSS from RBI

### Economy

During November 2012, Indian economy continued to face the dual problem of low growth and high inflation. The Index of Industrial Production (IIP) for September 2012 declined by 0.4%, in contrast to an expected growth of around 3%.

India's GDP growth for the second quarter of FY13 (July-September 2012) came at 5.3%. This was in line with market expectation. The growth in Agricultural sector as well as Manufacturing sector was disappointing at 1.2% and 2.8% respectively. However, Services sector continued its strong performance with a growth of 7.1%.

The Inflation as measured by Wholesale Price Index (WPI) for October 2012 softened to 7.45% compared to 7.81% in September 2012. The moderation in prices of food items and lower than expected rise in fuel prices were main reasons for decline in inflation. The core inflation also moderated to 5.2% during October compared to 5.6% in September.

The liquidity conditions tightened during November 2012 due to demand for cash during festive season. The average liquidity injection by RBI was around Rs 92,800 crores compared to Rs 67,100 crores in the previous month.

During November 2012, the global economy continued to struggle with low growth continuing in Euro zone. The fresh package for Greece was a positive development during the month. The key development in US was the re-election of US President Barack Obama. Post presidential elections, the focus has shifted to fiscal problems. Market is hopeful of some meaningful solution soon.

### Equity Market

November was a volatile month for global equity markets as concerns regarding US fiscal situation and Greece's bailout package increased significantly. However, expectations about the US government reaching an agreement on improving fiscal situation along with affirmative action by Eurozone ministers regarding Greece's assistance package lifted sentiments and markets rebounded.

Developed markets outperformed emerging markets with Japan, Germany and UK gaining 6%, 2% and 1% respectively as concerns regarding Eurozone crisis receded. The US markets also recovered post the elections after having fallen 2% during the month and ended flat. Amongst emerging markets, India outperformed with 5% gain while Brazil and Russia remained flat. China declined by 4%.

Global growth prospects seemed to be improving, led by China and other emerging markets which are showing signs of improvement. This led to a sharp up move in industrial metals as demand for these commodities is expected to increase significantly for fueling economic growth in these regions. The prices of Aluminum, Zinc and Copper increased by 10%, 9% and 3% respectively during the month.

Back home in India, the winter session of Parliament which started with a political logjam, began functioning after Government agreed to a Parliamentary vote on FDI in retail. This was taken positively by equity investors as it demonstrated Government's strong intent to implement economic reforms. The winter session of Parliament is an important event for markets as many important reform-oriented bills are expected to be tabled in this session.

# MARKET OUTLOOK

## Sectoral Performance

The Automobile sector outperformed during the month as monthly sales numbers were above expectations, led by the festive season. The demand for passenger vehicles seems to have revived while growth in two wheeler segment appears to be stabilizing. The Management commentaries of various companies suggests that momentum may continue, going into the wedding season next quarter. The demand for Medium and Heavy Commercial Vehicles (MHCV) is expected to revive with improvement in economic growth.

The Telecom sector which has been grappling with high competition and adverse policy environment turned out to be a major out performer this month, as subdued response to 2G auctions indicated significant decline in competitive intensity. The fundamentals of this sector appear to be improving led by return of pricing power of telecom companies.

## Equity Market Outlook

The country's economic growth seems to be reviving, albeit on a slower pace. The sales of automobile and consumer durables have improved seasonally, while there is an uptrend in public sector projects, amongst other improvement indicators. The economy is likely to start improving gradually, going forward. The expected rate cut from RBI would significantly help in propelling economic growth.

Declining interest rates and gradual economic growth augur well for corporate profitability which appears to have bottomed out. Notwithstanding strong YTD performance (+27%), we continue to remain positive on equities. Markets continue to look attractive with expected improvement in the economic environment and corporate profitability.

## Outlook on Fixed Income Market

The Government securities market was range bound between 8.18 to 8.23 % in November. The Corporate bond market was flat with 10 year AAA rated bonds at around 8.95-9.00%. In the Money market, CD rates (Certificate of Deposits) hardened by 10-15 bps due to tight liquidity conditions. The one year CD rates moved up from 8.55-60% to around 8.65-70%.

The market mood was bearish at beginning of the month as RBI did not reduce rates in the previous monetary policy. At the same time, continuous supply of Government Securities due to regular weekly auctions increased the selling pressure. There were concerns over the Government overshooting its fiscal deficit target due to poor response to 2G telecom auction and low mobilisation through disinvestments.

However, with lower than expected IIP and WPI Inflation numbers, market started hoping for a rate cut by RBI. On account of tight liquidity in the system, expectation of OMOs (Open Market Operation) started building up. This resulted in buying interest in the market in second half of the month. Towards end of the month, the much awaited OMO was announced. As a result, bond yields softened and the benchmark 10 year GSec touched a low of 8.18%.

Going forward, we expect yields in Government securities market to remain range bound, as RBI is unlikely to cut rates till the next quarterly policy scheduled in January 2013. However, we expect RBI to continue with OMOs to ease the stress on liquidity. This would be positive for bond yields. Over the medium to long term horizon, we expect rates to soften as RBI is likely to reduce rates to support faltering economic growth.

# UNIT-LINKED Fund

## Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

### As on 30th Nov 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	9.3%	9.1%
Last 1 year return	14.9%	13.2%
Last 3 year (CAGR)	7.8%	6.3%
CAGR since inception	8.8%	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. 30% Equity and 70% Debt Securities

### Security type

Equity  
Debt

### Benchmark Index

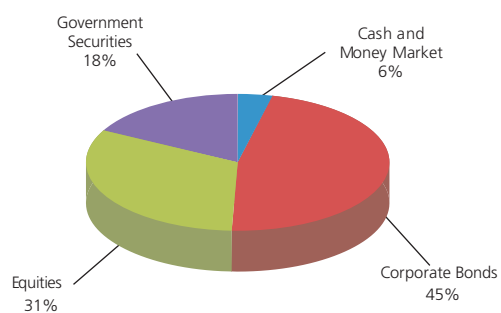
S&P CNX Nifty  
CRISIL Composite Bond Fund Index

### Gratuity Balanced Portfolio as on 30 Nov 2012

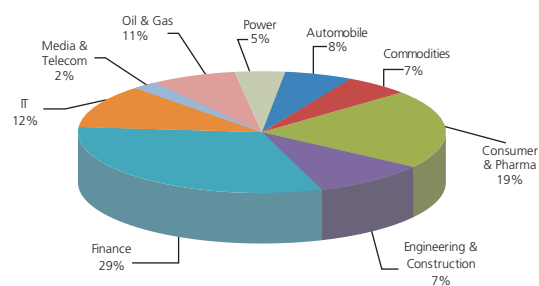
Security Name	Wt	Rating
<b>Government Securities</b>	<b>17.48%</b>	
GOI 2041	7.56%	Sovereign
GOI 2030	5.11%	Sovereign
GOI 2036	4.81%	Sovereign
<b>Corporate Bonds</b>	<b>45.25%</b>	
Reliance Gas Transport Infrastructure	8.84%	AAA
IL&FS	7.70%	AAA
Gail (India) Ltd	7.31%	AAA
LIC Housing Finance Company Ltd	6.91%	AAA
Reliance Industries Ltd	4.97%	AAA
HDFC	3.96%	AAA
TATA Sons Ltd	2.49%	AAA
Power Grid Corporation Ltd	1.83%	AAA
Power Finance Corporation Ltd	1.24%	AAA
<b>Equities</b>	<b>30.82%</b>	
ITC Ltd	2.28%	
HDFC Bank Ltd	2.03%	
ICICI Bank Ltd	2.02%	
Infosys Ltd.	1.82%	
HDFC	1.77%	
Reliance Industries Ltd	1.73%	
Larsen & Toubro Ltd	1.18%	
Tata Consultancy Services Ltd	1.02%	
State Bank Of India	1.01%	
Others	15.95%	
<b>Cash And Money Market</b>	<b>6.45%</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**

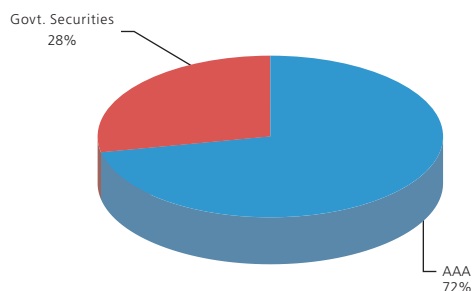
### ASSET ALLOCATION



### 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 30th Nov 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	5.6%	4.6%
Last 1 year return	11.9%	9.5%
CAGR since inception	11.2%	8.0%

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

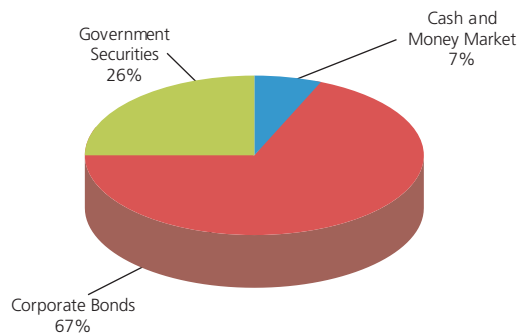
CRISIL Composite Bond Fund Index

### Gratuity Debt Portfolio as on 30 Nov 2012

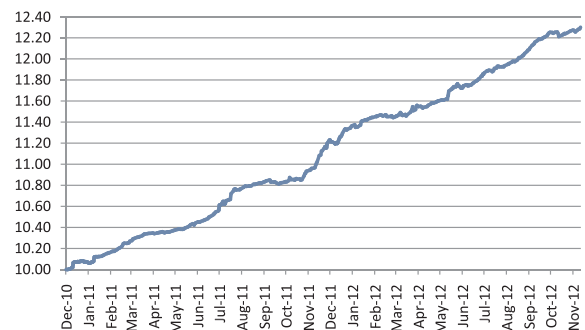
Security Name	Wt	Rating
<b>Government Securities</b>	<b>26.24%</b>	
GOI 2030	7.11%	Sovereign
GOI 2036	6.70%	Sovereign
GOI 2026	4.07%	Sovereign
SDL Maharashtra 2022	4.04%	Sovereign
GOI 2025	4.02%	Sovereign
Others	0.29%	
<b>Corporate Bonds</b>	<b>67.32%</b>	
LIC Housing Finance Company Ltd	7.62%	AAA
Reliance Ports And Terminals Ltd	7.29%	AAA
IL&FS	7.14%	AAA
SAIL	6.91%	AAA
TATA Sons Ltd	6.91%	AAA
Gail (India) Ltd	6.78%	AAA
Reliance Industries Ltd	6.76%	AAA
Power Finance Corporation Ltd	4.83%	AAA
Reliance Gas Transport Infrastructure	4.20%	AAA
HDFC	4.09%	AAA
Tech Mahindra	2.61%	AAA
Power Grid Corporation Ltd	2.19%	AAA
<b>Cash And Money Market</b>	<b>6.44%</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

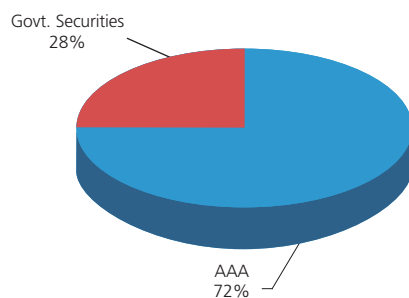


### NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)

### CREDIT RATING OF DEBT PORTFOLIO



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[www.metlife.co.in](http://www.metlife.co.in)

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