

Met Invest

Gratuity Fund Performance Monthly Fund Update, February '13

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



ECONOMY

Indicators	31-Dec-12	31-Jan-13	M-o-M Variation
10 year GSec India (%)	8.05	7.91	-0.14
10 year AAA Corporate Bond (%)	8.93	8.79	-0.14
5 year GSec India (%)	8.03	7.98	-0.05
5 year AAA Corporate Bond (%)	8.92	8.78	-0.14
1 year T-Bill (%)	8.02	7.82	-0.20
1 year CD (%)	8.82	8.97	0.15
WPI Inflation (%)	7.24	7.18	-0.06
IIP (%)	8.30	-0.10	-8.40
US 10 year Treasury Yield (%)	1.76	1.98	0.22
Exchange Rate (USD/INR)	55.00	53.23	-3.2%
Forex Reserves (USD bn)	297	296	-0.3%
Brent Crude Oil (USD/barrel)	111	116	4.0%
Sensex	19427	19895	2.4%
Nifty	5905	6035	2.2%

Source: Bloomberg, Reuters and WSS from RBI

Economy

In January 2013, the Indian economy continued to struggle with low growth. The Index of Industrial Production (IIP) for the month of November 2012 fell sharply to -0.1% (de-growth) as against an expectation of 0.5% growth.

However there was slight relief in the form of lower inflation. The Inflation (WPI) for the month of December 2012 softened to 7.18% compared to 7.24% in the previous month. The moderation in manufactured goods prices was the main reason for fall in inflation number. The core inflation moderated to 4.3% in December 2012 compared to 4.6% in November 2012.

In the third quarter monetary policy, Reserve Bank of India (RBI) reduced key policy rates by 25 bps as was widely expected by the market. It also reduced the Cash Reserve Ratio (CRR) by 25 bps. The Central Bank lowered GDP growth projection for FY13 from 5.8% to 5.5%. It also revised the WPI inflation projection (for March 2013) downwards from 7.5% to 6.8%. However, it mentioned that due to high inflation as well as high current account deficit, there was limited room for further policy easing.

Equity market

The New Year commenced on a positive note for global equity markets as optimism regarding global growth improved on the back of positive

economic data points emanating from developed nations. U.S., the world's largest economy, is showing some signs of strength led by a rebound in housing market and continuation of low-interest rate regime. Japan, the third largest economy, has recently announced a package that focuses on enhancing export competitiveness and public works spending to augment economic growth.

In China, the GDP growth appears to have bottomed out and the economy is likely to see a cyclical uptick. The Euro zone is also showing improving signs of stability. The combined effect of these global developments led to positive sentiments towards equities.

Equity markets across the world performed well with developed nations outperforming the emerging ones. The U.S. and UK gained 6% each while Japan surged by 7%. Among emerging markets, Russia grew by 6% followed by China and India which were up by 5% and 2% respectively.

In India, economic data points are turning positive with headline inflation at a 3-year low. Core inflation is also showing a declining trend. The much anticipated rate cut came through with RBI reducing key policy rates as well as CRR (Cash Reserve Ratio) by 25 bps. Although it is difficult to predict the timing and quantum of further rate cuts, January's rate cut seems to have heralded the beginning of interest rate easing cycle. The reforms process which started in September last year continues with partial deregulation of diesel prices and hike in railway fares.

Sectoral performance

The Oil & Gas sector outperformed in January due to a significant change in policy stance, wherein Government has allowed Oil Marketing companies to raise diesel price by Rs 0.50 every month for the next two years. This move will benefit Government finances as diesel under-recoveries form almost half of the total petroleum products under-recovery. This has been viewed as a step in the right direction and boosted investor confidence. The Oil and gas sector index posted a gain of 9.9% on the back of this positive development

The Information Technology sector, which was an underperformer last year, did well this month as quarterly results from IT companies were

MARKET OUTLOOK

better than investors' expectations. The outlook for this sector has improved post positive management commentaries. The economic recovery in advanced economies bodes well for this sector, as spending on information technology services increases with improving economic outlook and consumer confidence.

The Real Estate sector continued to show good traction, as the fundamentals of this sector are expected to improve with easing of interest rates, gradual improvement in macro-economic conditions and new project launches. This sector is expected to be a significant beneficiary of FDI in retail.

Equity market outlook

Although global economic environment is showing some signs of improvement, it is still fragile as the recovery is largely led by stimulus and liquidity. The Central Banks of advanced economies are likely to continue with low interest rates till the on-going economic recovery turns significantly positive. This augurs well for equity markets.

In India there seems to be an uptick in the economic environment. The fiscal deficit, which has been a major concern area, is showing improvement. This is primarily been due to tight expenditure control and revenue mobilization through PSU divestments. The rating agencies have viewed the various policy initiatives positively and the threat of rating downgrade seems to have abated.

Inflation appears to have peaked out and is showing signs of easing. Corporate results have been better than expectation. We expect corporate earnings to remain strong led by decline in interest rates, gradual economic recovery and continuation of economic reforms. We remain optimistic on equity markets, going forward.

Debt Market and Outlook

The Government securities market was positive in January 2013. The 10 year G sec yield closed at 7.91% as against 8.05% at the end of December 2012.

As widely expected by the market, RBI reduced rates by 25 bps. However, it clearly stated that further room for policy easing was limited. The reasons cited were high current account deficit and risk of inflation moving up again.

Corporate bond market rates also softened marginally during the month with yield on 10 year AAA rated bond softening from around 8.90% to around 8.80%. In the money market, due to tight liquidity conditions Certificate of Deposit (CD) rates further inched up during the month. The one year CD rates moved up by 20 bps from around 8.80% to around 9.00%.

Going forward, it is expected that RBI would continue to reduce rates to support faltering economic growth. However, the timing and quantum of rate cuts would depend on growth-inflation dynamics as well as the extent of fiscal consolidation by Government. Overall we expect rates to soften further over the medium term horizon.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 31st Jan 2013

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	8.8%	8.2%
Last 1 year return	13.3%	11.4%
Last 3 year (CAGR)	8.8%	7.3%
CAGR since inception	9.1%	7.9%

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

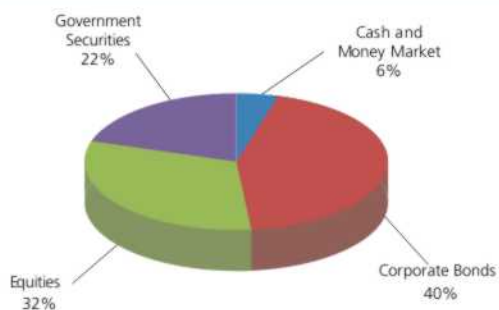
S&P CNX Nifty
CRISIL Composite Bond Fund Index

Gratuity Balanced Portfolio as on 31 Jan 2013

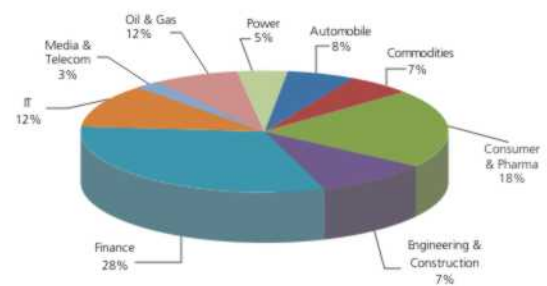
Security Name	Wt	Rating
Government Securities	22.47%	
GOI 2041	7.70%	Sovereign
GOI 2030	5.13%	Sovereign
GOI 2036	4.88%	Sovereign
SDL Maharashtra 2023	4.77%	Sovereign
Corporate Bonds	39.73%	
Reliance Gas Transport Infrastructure	8.74%	AAA
IL&FS	7.61%	AAA
Gail (India) Ltd	7.21%	AAA
LIC Housing Finance Company Ltd	6.80%	AAA
HDFC	3.91%	AAA
TATA Sons Ltd	2.44%	AAA
Power Grid Corporation Ltd	1.80%	AAA
Power Finance Corporation Ltd	1.22%	AAA
Equities	32.26%	
Infosys Ltd.	2.42%	
ITC Ltd	2.26%	
ICICI Bank Ltd	2.15%	
Reliance Industries Ltd	1.89%	
HDFC Bank Ltd	1.82%	
HDFC	1.49%	
Larsen & Toubro Ltd	1.14%	
State Bank Of India	1.11%	
Others	17.98%	
Cash And Money Market	5.53%	
Total	100.00%	

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

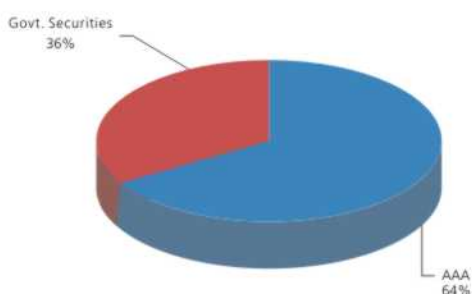
ASSET ALLOCATION



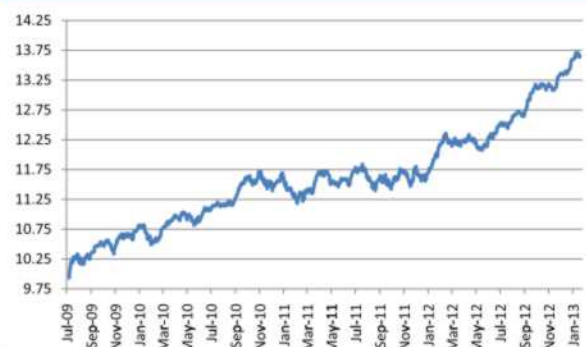
EQUITY SECTORAL BREAK-UP



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 2013

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	6.1%	5.0%
Last 1 year return	10.8%	9.4%
CAGR since inception	11.6%	8.3%

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

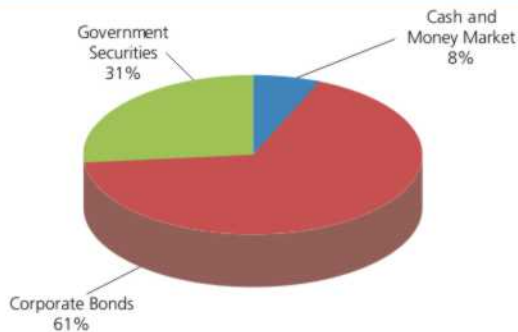
Gratuity Debt

Portfolio as on 31 Jan 2013

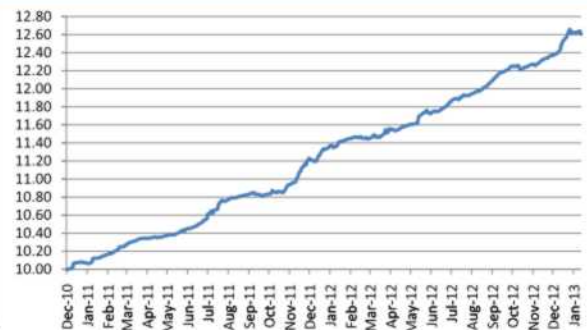
Security Name	Wt	Rating
Government Securities	31.34%	
GOI 2036	10.78%	Sovereign
GOI 2030	7.10%	Sovereign
GOI 2026	4.04%	Sovereign
GOI 2022	4.00%	Sovereign
SDL Kerala 2023	3.95%	Sovereign
SDL Maharashtra 2023	1.32%	Sovereign
Others	0.15%	
Corporate Bonds	60.66%	
LIC Housing Finance Company Ltd	7.43%	AAA
Reliance Ports And Terminals Ltd	7.15%	AAA
IL&FS	7.01%	AAA
TATA Sons Ltd	6.76%	AAA
SAIL	6.75%	AAA
Gail (India) Ltd	6.65%	AAA
Power Finance Corporation Ltd	4.72%	AAA
Reliance Gas Transport Infrastructure	4.12%	AAA
HDFC	3.99%	AAA
Reliance Industries Ltd	3.93%	AAA
Power Grid Corporation Ltd	2.14%	AAA
Cash And Money Market	8.00%	
Total	100.00%	

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

ASSET ALLOCATION

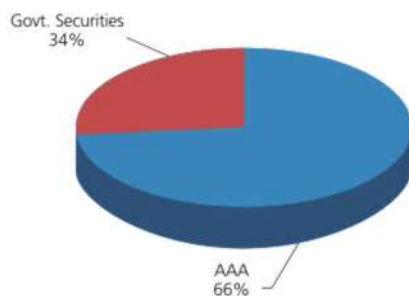


NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)

CREDIT RATING OF DEBT PORTFOLIO





PNB MetLife India Insurance Co. Ltd.
(Insurance Regulatory and Development Authority,
Life Insurance Registration No.117)
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Tel: +91 80-2643 8638.
Toll Free: 1-800-425-6969
www.pnbmetlife.com

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