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MetInvest

Gratuity Fund Performance

Monthly Fund Update, September'12

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

ECONOMY

Indicators	Aug-12	Sep-12	M-o-M Variation
10 year GSec (%)	8.24	8.15	-0.09
10 year AAA Corporate Bond (%)	9.45	9.25	-0.20
5 year GSec (%)	8.23	8.18	-0.05
5 year AAA Corporate Bond (%)	9.47	9.26	-0.21
1 year T-Bill (%)	8.09	7.99	-0.10
1 year CD (%)	9.07	8.92	-0.15
Exchange Rate (USD/INR)	55.53	52.86	-4.80%
Forex Reserves (USD bn)	290	294	4.00
WPI Inflation (%)	6.87	7.55	0.68
IIP (%)	-1.8	0.1	1.90
US 10 year Treasury Yield (%)	1.55	1.63	0.08
Brent Crude Oil (USD/barrel)	114.57	112.39	-1.90%
Sensex	17430	18763	7.65%
Nifty	5259	5703	8.46%

Source: RBI WSS & Bloomberg

Economy

The Indian economy continued to face the dual problem of low growth and high inflation. The growth in Index of Industrial Production (IIP) for July was very poor at 0.1%, and was lower than consensus expectation of 0.5% growth.

There were concrete steps announced by Government on policy and reforms front in September. The government raised diesel prices by Rs 5 per litre and placed a cap on subsidised LPG cylinders per family. With this move, the government showed serious intent of containing fiscal deficit by reducing subsidy burden and curtailing expenditure.

WPI Inflation (Wholesale Price Index) for the month of August increased to 7.55% compared to 6.87% for July 2012. During August, primary articles inflation continued to be high at 10.1%, manufactured goods inflation inched up to 6.1%, while fuel inflation increased by 8.3%.

RBI in its mid-quarter policy kept the Repo Rate and Reverse Repo Rate unchanged at 8% and 7% respectively. However, it reduced Cash Reserve Ratio (CRR) by 25 bps (from 4.75% to 4.50%). This infused around Rs 170 bn of liquidity in the system.

The global economy continued to struggle in September. However, markets got a boost from Federal Reserve in the form of announcement of QE3 (quantitative easing) and the assurance to continue with low interest rates till 2014 end.

Equity Market

The month of September was a very good one for equities and the second best month till date in 2012. The Indian equity markets rallied by 8%, as Government started focusing on the growth agenda after a hiatus of several quarters. The Government announced a series of economic reforms such as FDI in retail and aviation, increase in diesel prices, approval of restructuring of State Electricity Boards (SEBs) and PSU divestment proposal.

This coincided with a global rally fuelled by positive news flow from the US and Eurozone. Almost all major markets posted positive returns as Central banks in US and Europe continued to provide fiscal stimulus to support growth. The US Federal Reserve announced extension of low interest rate regime till 2015 to support growth and improve labour market conditions. The European Central Bank kept interest rate unchanged and pledged to further relax the monetary stance to support a fragile economic environment.

Emerging markets outperformed developed markets with India, Russia and Brazil rising by 8%, 7% and 4% respectively. The US equity market posted 3% gain, while markets in UK and Japan ended flat.

Commodities rose on optimism that recent moves by global Central banks would halt the growth slowdown. The price of Zinc, Copper and Aluminum moved up by 14%, 11% and 8%, respectively.

The INR appreciated by 4.8% and touched a six month high, as sentiment turned positive post pro-growth announcements. FIIs continued to remain positive, with net FII inflow in September being USD 3.8 bn. The net FII inflow till September (YTD) stands at 16 bn.

MARKET OUTLOOK

Sectoral Performance

The cyclical sectors such as Engineering, Construction, Capital Goods and Infrastructure saw a strong revival in September on the back of various policy measures announced by Government. Some of the measures include fuel price hikes, easier overseas funding for infrastructure companies and restructuring of power sector debt. These measures are expected to reduce government deficit and give a boost to investment cycle. This will significantly benefit engineering, capital goods and power companies, as it will lead to improved order flows and project execution timelines.

The Banking sector also outperformed broader market on expectations that economic reforms will help in pruning fiscal deficit as well as lowering interest rates and inflation. This sector would be one of the prime beneficiaries of revival in the economy and investment growth. The PSU Banks significantly outperformed, as the restructuring of State Electricity Boards (SEB) reduced risk of higher NPAs arising from this sector. The valuations for PSU banks as well as some private banks had become attractive and were below long term averages.

The Information Technology sector under performed owing to sharp appreciation of INR, as strong currency adversely impacts the sector's profitability. Investors moved from defensive sectors to cyclical sectors due to the valuation differential.

Outlook on Equity Market

A slowing economic growth, high inflation and global uncertainties have been the prime concern of equity investors. Many of these concerns may start receding. Inflation appears to have peaked out and is expected to decline gradually. There has been significant improvement in monsoon rains in September. This augurs well for the economy and will help in controlling food inflation.

The appreciation of currency will help to prevent further deterioration in both fiscal and current account deficit. If Government continues with the reform agenda, it will further help in improving sentiments and investment climate.

Though GDP growth may remain subdued for some more time, the country's economic recovery could begin if reform process continues. This would lead to the beginning of new investment cycle supported by positive investor sentiment, decline in interest rates and appreciation of currency. This would improve corporate profitability and earnings growth.

The global economic situation appears to be improving. All major economies and Central banks have announced concrete steps to avoid a recession.

After a strong year-to-date performance by Indian equities, markets may consolidate for some time. However, from a fundamental perspective, market continues to look attractive from a medium to long term view.

Outlook on Fixed Income Market

The debt market sentiment was negative at beginning of the month, as RBI officials reiterated high inflation as the primary concern. Market was range bound in the first half as IIP growth continued to be weak while inflation rose sharply compared to previous month. However, with reduction in CRR, buying interest returned to the market. The sentiment turned bullish with government raising diesel prices to contain fiscal deficit.

The Government's reforms initiative allayed fears amongst market participants regarding a sovereign rating downgrade of India by international credit rating agencies. As a result, buying interested sustained in the market and yield on 10 year GSec closed at 8.15% compared to 8.24% at the end of previous month.

The government's recent actions on policy front are likely to ease growth-inflation dynamics and lead to improvement on fiscal and current account front. These reforms augur well for the debt market. The Government's pro-growth agenda has created monetary space for RBI to consider reducing rates. We expect bond yields to soften over the medium to long term horizon.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 30th Sep 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	7.2%	5.7%
Last 1 year return	13.5%	11.3%
Last 3 year (CAGR)	7.5%	6.0%
CAGR since inception	8.7%	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. 30% Equity and 70% Debt Securities

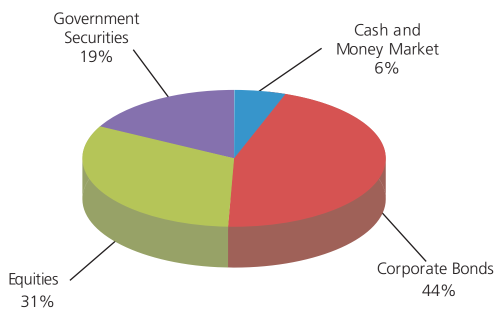
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 30 Sep 2012

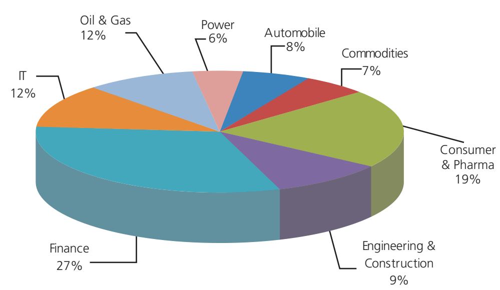
Security Name	Wt	Rating
Government Securities	**19.00%**	
GOI 2021	7.29%	Sovereign
GOI 2020	7.05%	Sovereign
GOI 2036	4.66%	Sovereign
Corporate Bonds	**44.11%**	
Reliance Gas Transport Infrastructure	8.63%	AAA
IL&FS	7.50%	AAA
Gail (India) Ltd	7.12%	AAA
LIC Housing Finance Company Ltd	6.74%	AAA
Reliance Industries Ltd	4.84%	AAA
HDFC	3.85%	AAA
TATA Sons Ltd	2.43%	AAA
Power Grid Corporation Ltd	1.78%	AAA
Power Finance Corporation Ltd	1.21%	AAA
Equities	**30.47%**	
ITC Ltd	2.03%	
ICICI Bank Ltd	1.90%	
Infosys Ltd.	1.84%	
Reliance Industries Ltd	1.77%	
HDFC Bank Ltd	1.77%	
HDFC	1.59%	
Larsen & Toubro Ltd	1.10%	
State Bank Of India	1.02%	
Others	17.45%	
Cash And Money Market	**6.43%**	
Total	**100.00%**	

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

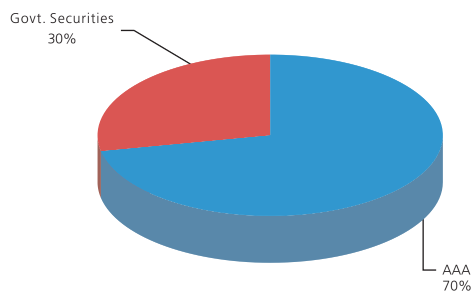
ASSET ALLOCATION



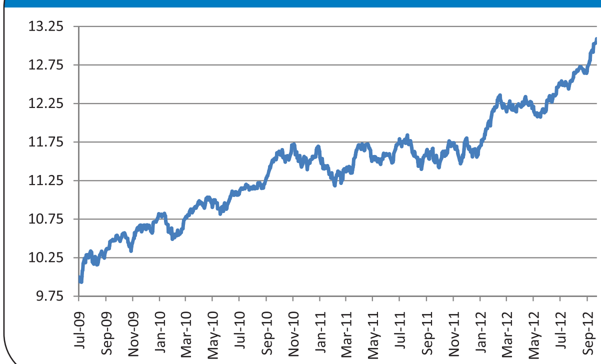
EQUITY SECTORAL BREAK-UP



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 30th Sep 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

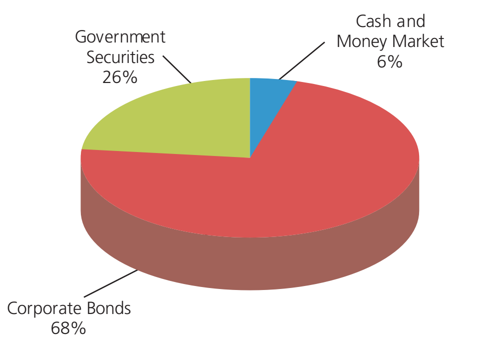
Returns	NAV	Benchmark
Last 6 months return	6.1%	4.9%
Last 1 year return	12.3%	9.6%
CAGR since inception	11.6%	8.0%

Past performance is not indicative of future performance

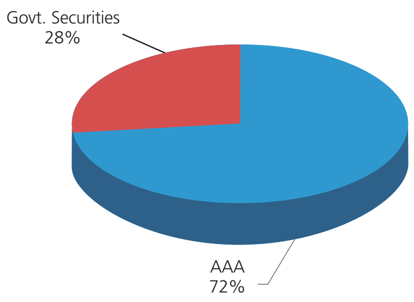
Note: Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities

Security type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

ASSET ALLOCATION



CREDIT RATING OF DEBT PORTFOLIO

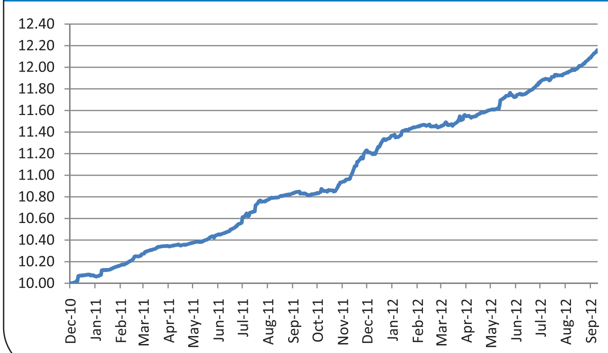


Gratuity Debt
Portfolio as on 30 Sep 2012

Security Name	Wt	Rating
Government Securities	**26.32%**	
GOI 2022	10.93%	Sovereign
GOI 2025	8.21%	Sovereign
GOI 2026	6.88%	Sovereign
Others	0.29%	
Corporate Bonds	**68.26%**	
LIC Housing Finance Company Ltd	7.73%	AAA
Reliance Ports And Terminals Ltd	7.40%	AAA
IL&FS	7.25%	AAA
SAIL	7.00%	AAA
TATA Sons Ltd	7.00%	AAA
Gail (India) Ltd	6.87%	AAA
Reliance Industries Ltd	6.85%	AAA
Power Finance Corporation Ltd	4.89%	AAA
Reliance Gas Transport Infrastructure	4.26%	AAA
HDFC	4.14%	AAA
Tech Mahindra	2.64%	AAA
Power Grid Corporation Ltd	2.22%	AAA
Cash And Money Market	**5.41%**	
Total	**100.00%**	

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