Met Invest

Gratuity Fund

Quarterly Fund Performance

January 2014 Edition

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

The linked insurance products do not offer any liquidity during the first five years of the contract. The policyholder will not be able to surrender/ withdraw the monies invested in linked insurance products completely or partially till the end of the fifth year.

FUND PERFORMANCE

MARKET OVERVIEW

FUND CATEGORY

Gratuity Balanced Fund

Gratuity Debt Fund

THE GLOBAL LIFE INSURANCE EXPERTS ARE NOW IN YOUR NEIGHBOURHOOD.

PNB MetLife brings to you Life Insurance solutions through more than **7000 locations** across India.

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Insurance is the subject matter of the solicitation. PNB MetLife India Insurance Co Ltd. is an affiliate of MetLife Inc.
The 7000 locations includes the PNB MetLife branches as well as our Corporate Agent branches. EC164.

Fund Performance

As on December 31, 2013

	Benchmark (BM)	1 - Year (%)		2 - Year (%)		3 - Year (%)	
		Fund	BM	Fund	BM	Fund	BM
Medium Risk							
Gratuity Balanced	30% CNX Nifty 70% CCBFI	2.7	4.7	9.3	9.7	5.8	5.0
Low Risk							
Gratuity Debt	CCBFI	2.1	3.8	6.5	6.5	8.0	6.7

CCBFI- CRISIL Composite Bond Fund Index

Glossary

Indicators	Dec-13	Sep-13	Q-o-Q Variation
Macro Economy			
Wholesale Price Index (WPI) Inflation (%)	7.5	7.1	0.4
Consumer Price Index (CPI) Inflation (%)	11.2	9.8	1.4
Index of Industrial Production (IIP) (%)	-1.8	2.0	-3.8
Forex reserves (USD bn)	296	277	6.5%
Domestic Markets			
Sensex	21171	19380	9.2%
Nifty	6304	5735	9.9%
10-year G-Sec India (%)	8.83	8.76	0.1
10-year AAA Corporate Bond (%)	9.63	10.00	-0.4
Exchange rate (USD/INR)	61.9	62.6	-1.1%
Global Markets			
Dow Jones (U.S.)	16577	15130	9.6%
FTSE (U.K.)	6749	6462	4.4%
DAX (Germany)	9552	8594	11.1%
SSE Composite (China)	2116	2175	-2.7%
US 10-year Treasury Yield (%)	3.0	2.6	0.4
Brent crude oil (USD/barrel)	110.5	109.6	0.8%

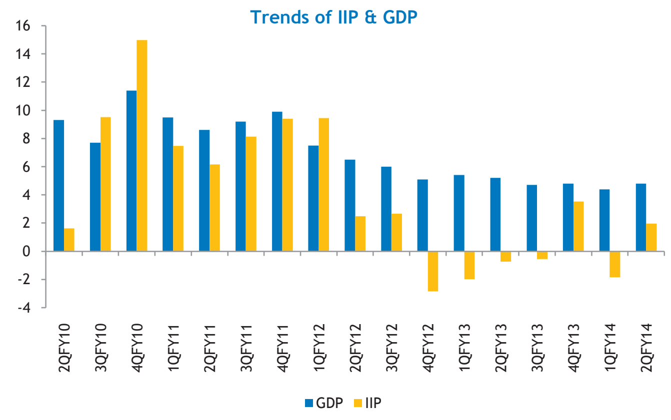
Source :Reuters, CCIL, MFI explorer

Economy

India's Gross Domestic Product (GDP) grew 4.8% in September quarter of FY13-14 against 4.4% recorded in June quarter. However, the growth was lower than 5.2% witnessed in the corresponding period last year. The pick-up in growth came from better performance of agriculture and construction sectors. Agricultural production accelerated in the September quarter and increased 4.6% on a Y-o-Y basis. The Finance Minister mentioned that growth recovery was visible in some sectors of the economy and exuded confidence that the country would recover in second half and clock 5-5.5% growth in 2013-14.

India's Current Account Deficit (CAD) narrowed sharply to $5.2 billion (1.2% of GDP) in second quarter of 2013-14 from $21.0 billion (5.0% of GDP) in the corresponding quarter last year. This was much lower than $21.8 billion (4.9% of GDP) in first quarter of 2013-14. The lower CAD was primarily on account of decline in the trade deficit as merchandise exports picked up and imports moderated, particularly gold imports.

The Wholesale Price Index (WPI)-based inflation rose to a 14-month high from 7.0% in October to 7.5% in November due to increase in vegetable prices. Food inflation rose by 19.9% on a yearly basis in November.



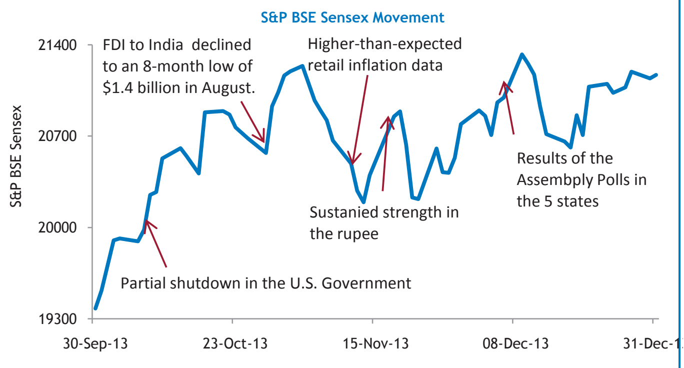
Source: Office of Economic Advisory, MOSPI

Equity Markets

Indian equity markets touched record highs during the quarter and closed in green after witnessing considerable volatility on the back of a series of domestic and global events.

Lower trade deficit data for September, the Reserve Bank of India's decision to keep key rates unchanged and positive outcome of Assembly elections held in five states boosted domestic equity markets. Investors shrugged off initial concerns related to Fed's tapering of stimulus measures and welcomed the move as it indicated that the U.S. economy was gaining strength.

However, Standard & Poor's commented that it might consider lowering India's sovereign rating to below investment grade if the next Government fails to provide a credible plan to improve the country's low economic growth.



Source: bseindia.com, MFI explorer

Global markets remained under pressure as concerns regarding Government shutdown and uncertainty over U.S. Federal Reserve's tapering of stimulus measures kept investors on the sidelines.

Glossary

However, bourses soon recovered after U.S. lawmakers reached a deal to end the Government shutdown. European markets found support on the back of sharp increase in Euro-zone trade surplus in October and increase in current account surplus for the same period. Asian bourses witnessed a mixed trend with Nikkei gaining more than 12% on the back of weak yen. Towards the end of the quarter, global bourses reacted positively to the Fed's decision to reduce its asset purchase program in a measured and gradual manner.

Equity Market Outlook

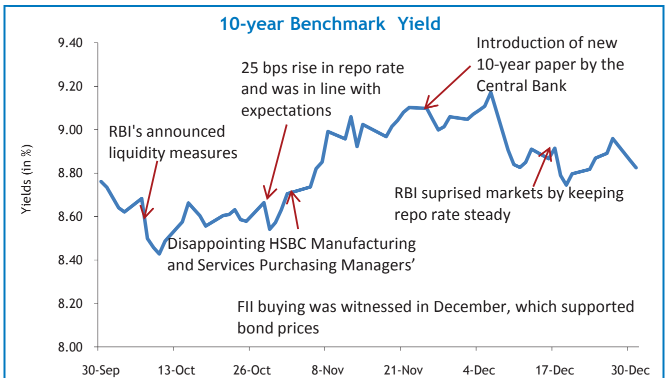
Investors will closely follow key macro-economic data releases, especially WPI & IIP. These data are likely to impact RBI's decision on interest rates at its upcoming Monetary Policy Review. The upcoming quarterly results for companies will also impact the Indian equity market.

Key U.S. economic data and Fed's decision on further reduction in bond purchases, if any, will also remain in focus.

Fixed Income Market

Bond yields remained range bound during the October-December 2013 quarter. Although high inflation hit bond yields, improved liquidity in banking system and introduction of a new 10-year benchmark paper provided support to bond yields. The 10-year benchmark bond yield rose 7 bps to close at 8.83% against the previous quarter's close of 8.76% after moving in the wide range of 8.4% to 9.2% during the quarter.

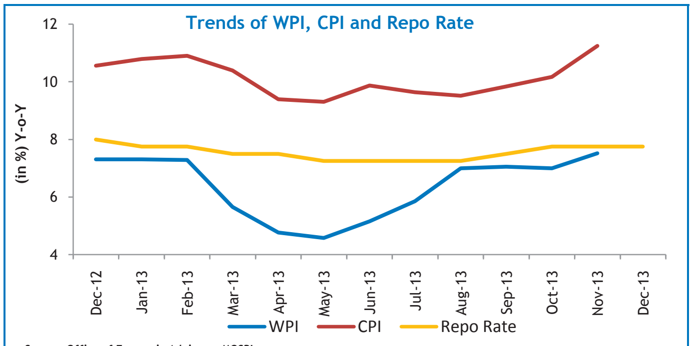
During the quarter, WPI and CPI inflation continued to rise and remained at higher levels, which increased the possibility of a rate hike by the RBI. Bond yields moved up on concerns that the Federal Reserve might soon pare its bond-buying program which in turn could lead to foreign fund outflows.



Source : CCIL

In its second quarter monetary policy review held in October, the RBI increased repo rate by 25 bps to 7.75%. The reverse repo (100 bps below the repo rate) and Marginal Standing Facility (200 bps above the repo rate) stood at 6.75% and 9.75%, respectively.

The introduction of a new 10-year benchmark paper in November end, which saw strong demand, supported bond prices. Although in mid-December, the Federal Reserve announced its decision to reduce its monetary stimulus measures by $10 billion, it did not impact bond markets significantly due to buying by Foreign Institutional Investors (FII). Moreover, the RBI's surprising move to keep interest rates steady at its Mid-Quarter Monetary Policy Review in December helped bond prices to move up.



Source: Office of Economic Advisory, MOSPI

However, gains proved to be short lived as the Central Bank mentioned that its next monetary policy decision will depend largely on the upcoming macroeconomic data, particularly the wholesale and retail inflation numbers of December.

Fixed Income Market Outlook

Market participants will closely track the retail and wholesale inflation data of December, which are likely to impact the RBI's decision on interest rates in its January policy meeting. In spite of the Federal Reserve's announcement of reducing its asset-purchase program, FIIs remained net buyers in bond markets in December. However, the real impact of the Fed's decision may be felt in January, when the tapering begins.

As on December 31 2013

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

Investment Objective: To generate capital appreciation and current income, through a judicious mix of investments in equities and fixed income securities.

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

as on December 31 2013

Returns	Absolute Return		CAGR Return	
	Last 6 Months	Last 1 Year	Last 3 Years	Since Inception
Portfolio return	-0.6%	2.7%	5.8%	7.5%
Benchmark**	1.1%	4.7%	5.0%	7.0%

***Note:** Past returns are not indicative of future performance.*

*** Benchmark return has been computed by applying benchmark weightages on CNX Nifty for Equity and CRISIL Composite Bond Fund Index for Debt*

Asset Classes

Government & Other Debt Securities

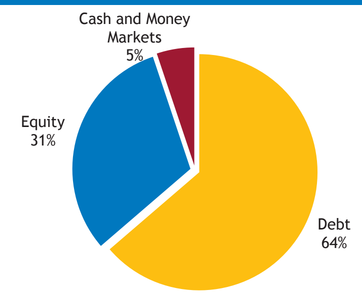
Equity

Cash & Money Markets

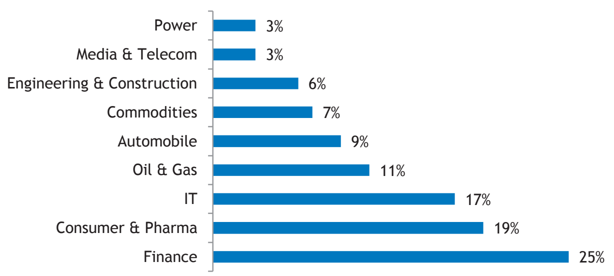
Portfolio Components

Security	Rating	Net Assets
GOVERNMENT SECURITY		
8.83% GOI 2023	Sovereign	11.89%
8.28% GOI 2027	Sovereign	11.02%
8.83% GOI 2041	Sovereign	6.84%
8.30% GOI 2042	Sovereign	6.45%
TOTAL		**36.19%**
CORPORATE BOND		
RELIANCE GAS TRANS. INFRASTRUCTURE LTD.	AAA	8.30%
G A I L (INDIA) LTD.	AAA	7.03%
L I C HOUSING FINANCE LTD.	AAA	6.65%
HOUSING DEVELOPMENT FINANCE CORPN. LTD.	AAA	3.13%
TATA SONS LTD.	AAA	2.39%
TOTAL		**27.50%**
EQUITY		
INFOSYS LTD.		2.72%
I T C LTD.		2.56%
I C I C I BANK LTD.		1.96%
RELIANCE INDUSTRIES LTD.		1.90%
H D F C BANK LTD.		1.89%
HOUSING DEVELOPMENT FINANCE CORPN. LTD.		1.65%
TATA CONSULTANCY SERVICES LTD.		1.46%
Others		17.01%
TOTAL		**31.16%**
CASH AND MONEY MARKETS		**5.15%**
PORTFOLIO TOTAL		**100.00%**

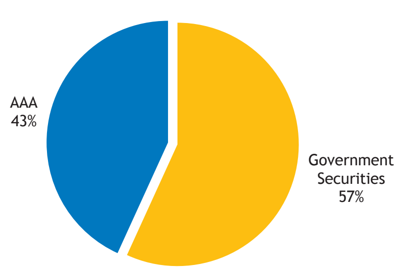
Asset Mix



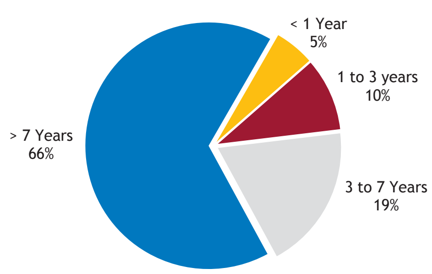
Sector Exposure



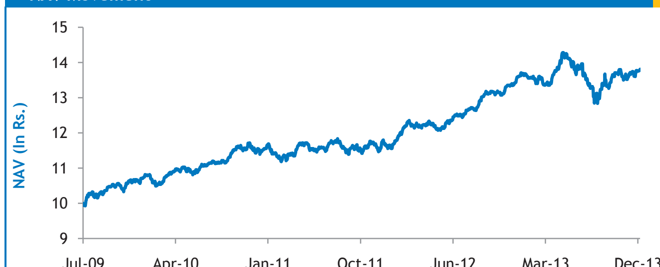
Credit Rating Profile



Maturity by Profile



NAV Movement



Date of Inception: July 07,2009

As on December 31 2013

Gratuity Debt

SFIN No: ULGF00105/06/04GRADEBTFND117

Investment Objective: To earn regular income by investing in high quality fixed income securities.

Investment Philosophy: The fund would target 100% investments in Government & other debt securities to meet the stated objectives.

Portfolio Return

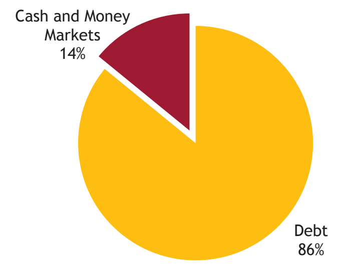
as on December 31 2013

Returns	Absolute Return		CAGR Return	
	Last 6 Months	Last 1 Year	Last 3 Years	Since Inception
Portfolio return	-4.0%	2.1%	8.0%	8.2%
Benchmark**	-1.8%	3.8%	6.7%	6.6%

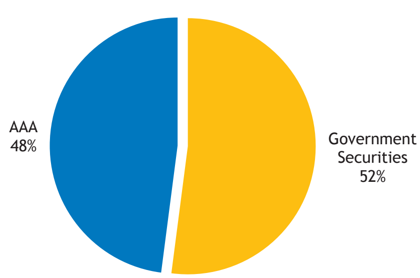
Note: *Past returns are not indicative of future performance.*

*** Benchmark return has been computed by applying benchmark weightages on CRISIL Composite Bond Fund Index*

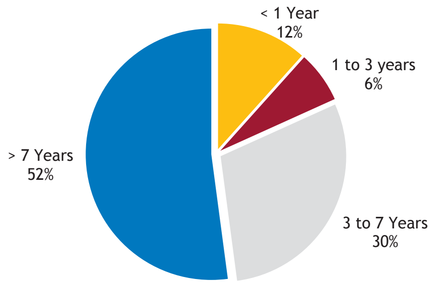
Asset Mix



Credit Rating Profile



Maturity by Profile



Asset Classes

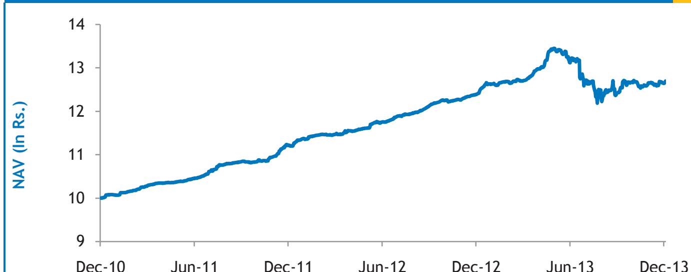
Government & Other Debt Securities

Cash & Money Markets

Portfolio Components

Security	Rating	Net Assets
GOVERNMENT SECURITY		
8.33% GOI 2026	Sovereign	11.95%
8.28% GOI 2027	Sovereign	9.87%
7.16% GOI 2023	Sovereign	9.35%
8.12% GOI 2020	Sovereign	8.12%
8.83% GOI 2023	Sovereign	5.33%
Others		0.11%
TOTAL		**44.73%**
CORPORATE BOND		
POWER FINANCE CORPN. LTD.	AAA	8.55%
L I C HOUSING FINANCE LTD.	AAA	5.88%
RELIANCE PORTS & TERMINALS LTD.	AAA	5.51%
INFRASTRUCTURE LEASING & FIN. SERV.	AAA	5.40%
TATA SONS LTD.	AAA	5.33%
G A I L (INDIA) LTD.	AAA	5.25%
RELIANCE GAS TRANS. INFRASTRUCTURE LTD.	AAA	3.17%
HOUSING DEVELOPMENT FIN. CORPN. LTD.	AAA	2.10%
TOTAL		**41.19%**
CASH AND MONEY MARKETS		**14.08%**
PORTFOLIO TOTAL		**100.00%**

NAV Movement



Date of Inception: December 20,2010

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Quantitative Indicators

- **Standard Deviation (SD)** - It shows how much the variation or dispersion of a fund's daily returns has from its average. Lesser SD indicates that the daily returns are moving closer to the average. A higher SD indicates that daily returns are widely spread over a large range of value.
- **Beta** – It indicates how the fund is performing relative to its benchmark. If beta of a fund is higher than its benchmark, which is considered 1, it indicates risk-return trade-off is better and vice-versa.
- **Sharpe Ratio** – It measures the risk-reward ratio as it indicates whether higher returns come with higher or lower risk. Greater the ratio, better is the risk-adjusted performance.
- **Average Maturity** – It is the weighted average period of all the maturities of debt securities in the portfolio.
- **Modified Duration (MD)** – It is the measurable change in the value of a security in response to a change in interest rates.
- **Yield To Maturity (YTM)** – It is the expected rate of annual return on a bond if it is held till maturity. The calculation assumed that all interest payments are reinvested at the same rate as the bond's current yield.

Macroeconomic Indicators

- **Gross Domestic Product (GDP) (Quarterly)** - It is the market value of all final goods and services produced within a country. This indicator is used to gauge the health of a country's economy.
- **Fiscal Deficit** – This takes place when India's expenditure rises than its revenue. To fill this gap, the Government raises debt by issuing Government/ sovereign bonds. Fiscal deficit is usually compared with GDP to understand the financial position of the country. Rising fiscal deficit to GDP ratio is not good for the country, which requires immediate attention to cut expenditure and/or increase the source of revenue.
- **Current Account Deficit (Quarterly)** - It is a deficit where India's foreign currency outflows are higher than inflows. This indicates that the country is a net debtor of foreign currency, which increases the pressure on the country's existing foreign currency reserves. Current account surplus is the opposite of this.
- **Index of Industrial Production (IIP) (Monthly)** – The index represents the production growth of various sectors in India. The index focuses on mining, electricity and manufacturing. The ongoing base year for calculation of index is 2004-2005.
- **Wholesale Price Index (WPI) (Monthly)** - The index represents the rate of growth of prices of a representative basket of wholesale goods. The index mainly represents manufacturing (64.97%), primary articles (20.12%) and fuel & power (14.91%).
- **Consumer Price Index (CPI) (Monthly)** - The index represents the rate of growth of price level of a basket of consumer goods and services sold at retail or purchased by households.
- **HSBC Purchasers Managers' Index (PMI) (Monthly)** – Three types of indices – Manufacturing, Services and Composite Index are published on a monthly basis after surveys of private sector companies. An index reading above 50 indicates an overall increase in that variable, while below 50 shows an overall decrease.

Market Indices

- **CNX Nifty Index -** It is a well diversified 50 stock index accounting for 22 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds.
- **CRISIL Composite Bond Fund Index** - It seeks to track the performance of a debt portfolio that includes government securities and AAA/AA rated corporate bonds.

Fixed Income Indicators

- **Repo Rate** - The rate at which the RBI lends money to commercial banks is called repo rate. It is an instrument of monetary policy. Whenever shortage of funds banks has, they can borrow from the RBI.
- **Cash Reserve Ratio (CRR)** - CRR is the amount of funds which the banks need to keep with the RBI. If the RBI decides to increase the CRR, the available amount with the banks comes down. The RBI uses the CRR to drain out excessive money from the system.
- **Marginal Standing Facility (MSF)** – It is a rate at which the RBI provides overnight lending to commercial banks over and above the repo window (repo rate). The interest rate charged is higher than the repo rate and hence it is used when there is considerable shortfall in liquidity.

Others

- **Foreign Currency Non-Resident (Bank) (FCNR (B))** - It is an account that allows non-resident Indian or a person of Indian origin to keep his deposits in foreign currency. Hassles of conversion can be reduced through such types of accounts.
- **Swap** – It is a derivative contract between two parties that occurs at a future date. It is used to hedge risk related to interest rates, currency and commodities movement. The counterparties exchange cash flows, if any, related to the instrument involved in the transaction.

PNB MetLife India Insurance Co. Ltd.
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Compound annual growth rate (CAGR) is rounded to nearest 0.1%

About Us

PNB MetLife India Insurance Company Limited (PNB MetLife) is a joint venture between MetLife International Holdings Inc. (MIHI), Punjab National Bank Limited (PNB), Jammu & Kashmir Bank Limited (JKB), M. Pallonji and Company Private Limited and other private investors, with MIHI and PNB being the majority shareholders. PNB MetLife was previously known as MetLife India Insurance Company Limited (MetLife India) and has been present in India since 2001.

PNB MetLife brings together the financial strength of a leading global life insurance provider, MetLife, Inc., and the credibility and reliability of PNB, one of India's oldest and leading nationalised banks. The vast distribution reach of PNB together with the global insurance expertise and product range of MetLife makes PNB MetLife a strong and trusted insurance provider.

PNB MetLife is present in over 150 locations across the country and serves customers in more than 7,000 locations through its bank partnerships with PNB, JKB and Karnataka Bank Limited.

PNB MetLife provides a wide range of protection and retirement products through its Agency sales of over 15,000 financial advisors and multiple bank partners, and provides access to Employee Benefit plans for over 800 corporate clients in India. With its headquarters in Bangalore and Corporate Office in Gurgaon, PNB MetLife is one of the fastest growing life insurance companies in the country. The company continues to be consistently profitable and has declared profits for last three Financial Years.

Contact Us

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