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Met Invest

Gratuity Fund Performance Monthly Fund Update, August '10

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



Economy

The month of August witnessed significant activity on the macro-economic front. The real GDP growth for first quarter (Apr-June 2010) of the current fiscal year came at 8.8%. The Index of Industrial Production (IIP) grew at 7.1% (Y-o-Y) for the month of June 2010, lower than the expected figure of 8.1%.

On the inflation front, WPI inflation moderated to 9.97%. The last week of August saw a 29% above average rainfall, which helped the cumulative rainfall deficit to narrow down to 2%. This has nearly confirmed expectations of a higher agricultural growth output and lower inflation going forward.

The trade deficit for the month of July was \$12.9 billion. There was a significant decline in exports growth to 13.2% (\$16.4 billion), largely due to lower demand from US and UK. Imports were up by 34.3% (\$29.2 billion). The Rupee depreciated by 1.5% to 47.08 due to the widening trade deficit and Dollar appreciation against major currencies.

The month of August was little subdued on the global front with major indices reporting



negative returns on the back of poor macro-economic data. Mixed data continued to emanate from US, while Europe GDP growth remained stagnant. The expectation of soft interest rates and ample liquidity is likely to remain globally.

Among developed markets, Dow Jones and Nikkei declined by 4.3% and 7.5%, respectively. Emerging market indices also reported negative returns with Brazil declining by 3.5% and Taiwan by 1.9%. China remained flat while India continued to outperform with both Nifty and Sensex delivering positive returns of 0.6% each.

Despite volatility in global markets and mixed news flows from the US, FII equity flows remained positive with USD 2.3 billion of net buying in August. The total FII equity investment in 2010 (till date) stands at USD 12.8 bn.

EQUITY MARKET

Equity Market Outlook

Broad equity market indices were range bound throughout the month. Among the sectors, Consumer, Banking and Automobile outperformed the broader market with 7.1%, 5.6% and 4.6% returns respectively, while Oil and Gas, Power and Metals posted negative returns.

The Banking sector saw deposit as well as lending rate hikes by many leading banks, in a move to align rates as a result of RBI rate hikes. Oil sector saw a fall in the bell weather stock Reliance Industries, mainly due to a freeze in gas volumes from KG D6 basin. Vedanta Plc announced the takeover of Cairn India Ltd from parent Cairn Plc for nearly \$10 billion. The Automobile sector continued to deliver strong volumes.

The macro-economic drivers of the economy are in good shape. We believe that the Indian growth story, which is largely domestic consumption driven, offers a better risk adjusted return for global investors. We expect FII inflows to continue.

Over the long term, we expect Indian market



to outperform major emerging markets and garner a higher share of allocation from developed markets. The current market valuations appear to be reasonable, from a two year forward earnings perspective. However, one needs to keep a close watch on global developments. Significant turmoil in global markets has the potential to impact Indian equities adversely.





Fixed Income Market Outlook

The 10 year benchmark bond 7.80% GOI 2020 crossed the psychological level of 8%. Corporate bonds were range bound. The 10 year Corporate AAA benchmark yield was flat at 8.78% vs. 8.81% M-o-M. The spreads in this category compressed from 100 bps to 85 bps. The three month sovereign Treasury bills were trading at 6.05%, while the three months Certificate of Deposits were trading at around 7.05%, implying a spread of 100 bps. On the monetary front, liquidity situation was tight and both short and long term rates continued to rise.

The market is keenly awaiting the monthly inflation and IIP data. RBI's mid-term policy review is expected on September 16th. Market expects a hike in key policy rates in this policy. Over the next few months, there could be a few more rate hikes from RBI. These rate hikes are

primarily aimed at tackling inflation to ensure that economic growth is sustained.

Liquidity is expected to remain tight due to RBI measures, regular government borrowing and no maturities in September. Tighter liquidity conditions and possible, further rate hikes are likely to keep the shorter end of yield curve at elevated levels. Regular government borrowing may push the yields higher. The 10 year 7.80% GOI 2020 is expected to trade around 8% with an upward bias in yields. Corporate bond yields are expected to follow the trend of Government securities.

UNIT-LINKED Fund

Gratuity Balanced

As on 31st August 2010

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 1 year return	8.26%	8.78%
CAGR since inception	4.13%	3.36%

Past performance is not indicative of the future performance

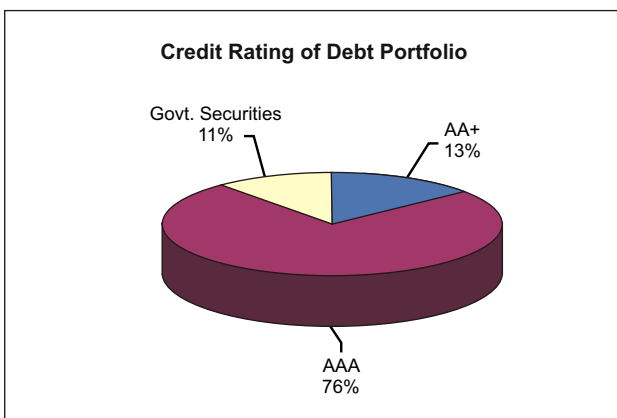
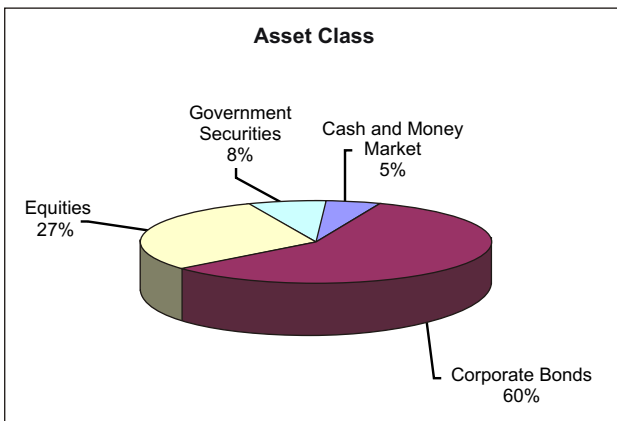
Note: Benchmark has been calculated as per the target holding of the Fund i.e. 30% Equity and 70% Debt Securities

Security Type

Equity
Debt

Benchmark Index

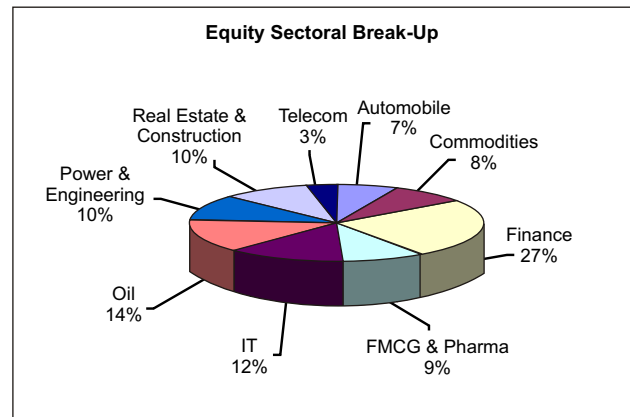
S&P CNX NIFTY
CRISIL Composite Bond Fund Index



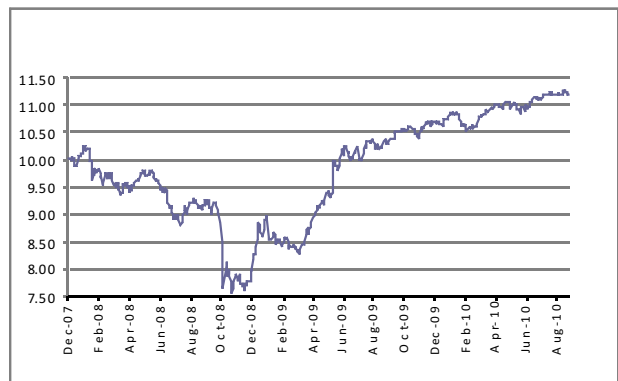
(Portfolio as on 31st August 2010)

Security Name	Wt (%)	Rating
Government Securities	7.70%	
GOI 2032	2.93%	Sovereign
GOI 2011	2.32%	Sovereign
SDL Maharashtra 2019	1.39%	Sovereign
SDL Punjab 2019	1.07%	Sovereign
Corporate Bonds	59.98%	
Reliance Gas Transport Infrastructure	8.41%	AAA
Reliance Capital Limited	7.60%	AAA
SAIL	7.49%	AAA
Bajaj Auto Finance Ltd	5.74%	AA+
IL&FS	5.25%	AAA
Tech Mahindra	4.39%	AAA
ICICI Bank Ltd	3.55%	AAA
Power Grid Corporation	3.44%	AAA
LIC Housing Finance Company Ltd	3.20%	AAA
Power Finance Corporation Ltd	2.68%	AAA
Larsen & Toubro Ltd	2.61%	AAA
Reliance Energy	2.19%	AA+
HDFC	2.00%	AAA
Others	1.45%	
Equities	27.48%	
Reliance Industries Ltd	2.14%	
Infosys Technologies	2.11%	
Larsen & Toubro Ltd	2.05%	
ICICI Bank Ltd	1.84%	
ITC Ltd	1.83%	
State Bank Of India	1.52%	
HDFC Bank Ltd	1.19%	
BHEL	1.04%	
Others	13.76%	
Cash and Money Market	4.85%	
Total	100.00%	

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



NAV Movement Since Inception



(Date of inception: 06-December-2007)

UNIT-LINKED Fund

Gratuity Debt

As on 31st August 2010

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 1 year return	7.28%	5.73%
CAGR since inception	14.13%	7.63%

Past performance is not indicative of the future performance

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

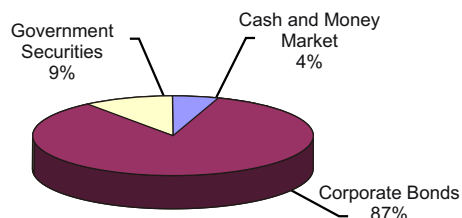
Security Type

Debt

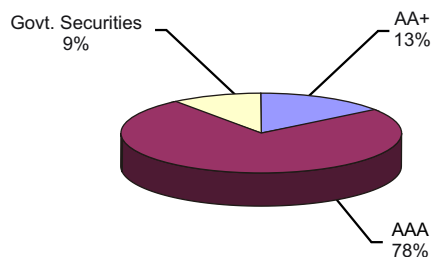
Benchmark Index

CRISIL Composite Bond Fund Index

Asset Class



Credit Rating of Debt Portfolio

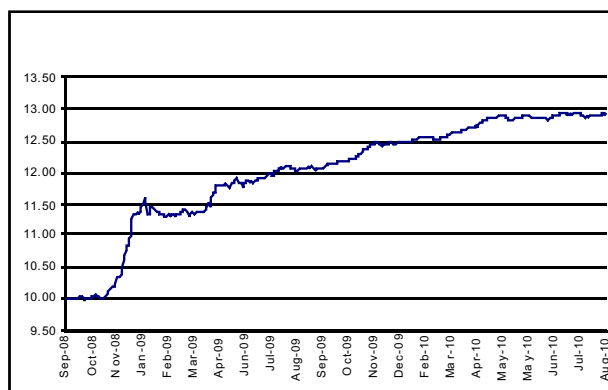


(Portfolio as on 31st August 2010)

Security Name	Wt (%)	Rating
Government Securities	8.70%	
SDL AP 2020	7.42%	Sovereign
Others	1.29%	
Corporate Bonds	86.66%	
Reliance Gas Transport Infrastructure	9.23%	AAA
LIC Housing Finance Company Ltd	8.70%	AAA
Tech Mahindra	8.68%	AAA
HDFC	8.55%	AAA
Reliance Capital Limited	8.53%	AAA
L&T Finance Ltd	8.51%	AA+
Rural Electrification Corporation	8.28%	AAA
IL&FS	8.21%	AAA
Power Grid Corporation	7.01%	AAA
Power Finance Corporation Ltd	6.88%	AAA
Bajaj Auto Finance Ltd	3.86%	AA+
Others	0.21%	
Cash and Money Market	4.64%	
Total	100.00%	

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

NAV Movement Since Inception



(Date of inception: 16-September-2008)

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5 Vani Vilas Road,
Basavanagudi, Bangalore-560004.
Tel: +91 80-2643 8638.
Toll Free: 1-800-425-6969
www.metlife.co.in

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