

# MetLife®

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## Gratuity Fund Performance Monthly Fund Update, June '10

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



## Economy

The month of June 2010 started on a positive note as the European debt crisis cooled off. Manufacturing and Construction data in US was positive, leading to a rally in US markets in the first week of June. FIIs were net buyers to the tune 2.1 billion USD in June. This was a near reversal of the sell-off witnessed in May.

On the domestic front, Nifty rallied in line with global equity markets and ended up 4.4% at 5313. Industrial output rose higher than expectations at 17.6% in April. May WPI inflation of 10.16% surprised on the upside. The Rupee depreciated by 0.17% against the dollar and ended the month at 46.44 to a dollar.

The major outperformers in this month were Automobiles, Capital Goods and Oil & Gas sectors. The Metal sector was the only sector to deliver negative returns during the month.

The key decision of fuel price hike on June 25th resulted in a significant re-rating of oil marketing companies. However, this hike could add to inflationary pressures and lead to an upward impact of nearly 1% on the



Wholesale Price Index. The Telecom auction of 3G and Broadband Wireless spectrum resulted in a total revenue of Rs 1,07,200 crores. This was significantly higher than expectations.

Although partial deregulation of oil prices could impact inflation negatively, market expects this reform to ease the fiscal deficit position. This, along with higher than expected collections from Telecom auctions, could result in fiscal deficit reducing to 4.5% from the budgeted figure of 5.5% in FY11.



## Equity Market Outlook

The GDP growth rate for FY2011 is expected at 8.0-8.5%. Monsoons are expected to be normal and agricultural output is expected to rebound this year. The government is upbeat on corporate tax collections which were up 22% in June 2010 over the previous year. Credit growth presently stands at 20% and banks are hopeful of achieving a credit growth target of 22% in this financial year. Corporate results for the quarter ended June 2010 are expected to be moderate and unlikely to disappoint.

We continue to be positive on domestic consumption oriented sectors such as Auto and Real Estate. We also see considerable opportunities in Construction, Power and Capital Goods companies. We are positive on Oil and Gas companies post the structural change brought about by partial de-regulation.

However, the concern regarding growth in European and US economies continues. In addition to having a large bearing on investor sentiment, these developments have a significant impact on exports. The data points'



emanating from these regions, as of today, is mixed and one needs to closely monitor the evolving situation.

Over the long term, we expect the Indian market to outperform major emerging markets. The current valuations appear reasonable. Although we continue to maintain an optimistic stance, we would exercise caution in the near term given the developments in Europe and US.





## Debt Market Outlook

The 10-year Government security (7.80% 2020) benchmark yield ended nearly flat for the month to close at 7.55%. Yields rose sharply during the middle of the month on the back of high inflation numbers. However, announcement of partial oil deregulation raised hopes of lower fiscal deficit, and sparked off a rally in the bond market.

The 10 year AAA benchmark yields were at 8.70% and remained largely unchanged in June. The comparable corporate bond spread ended at 115 basis points for the month. The 5 year corporate spreads widened from 62 basis points to 79 basis points during this period.

The increasing global risk aversion has led to investors seeking the safety of US Treasuries. The US treasury yields have softened further by about 35 basis points to 2.93% during the month.

The recent hike of 25 basis points in Reverse Repo and Repo rate before the July credit policy is a step towards tackling inflation and to some extent was expected. Going forward, we expect a restrictive monetary policy stance and a further hike of 50-75 basis points in policy rates through the financial year.

We expect Government securities yields to be range-bound in the near term. Corporate bond spreads are attractive and offer a significant yield pick up.

# UNIT-LINKED FUND

## Gratuity Balanced

As on 30th June 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 Returns

Returns	NAV	Benchmark
Last 1 year return	10.10%	10.42%
CAGR since inception	4.23%	3.33%

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

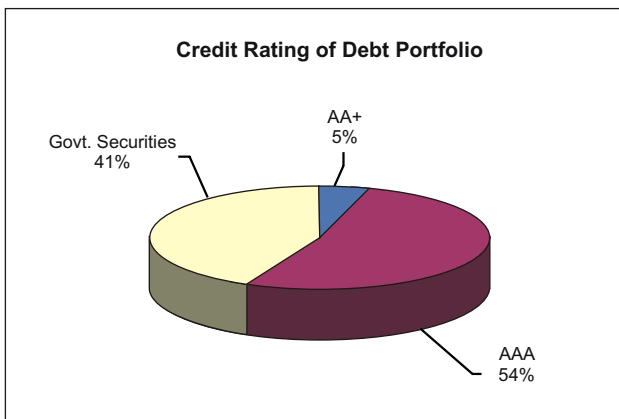
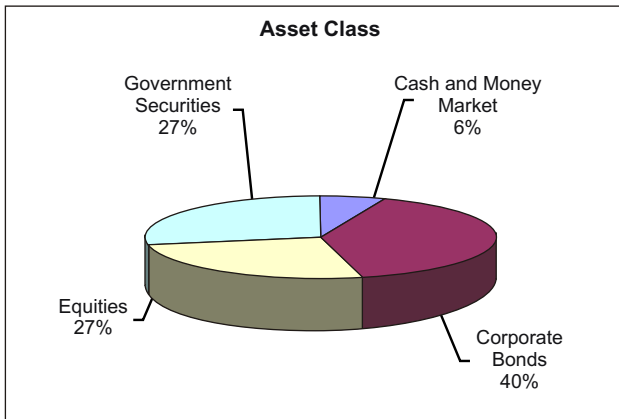
Benchmark Index

Equity

S&P CNX NIFTY

Debt

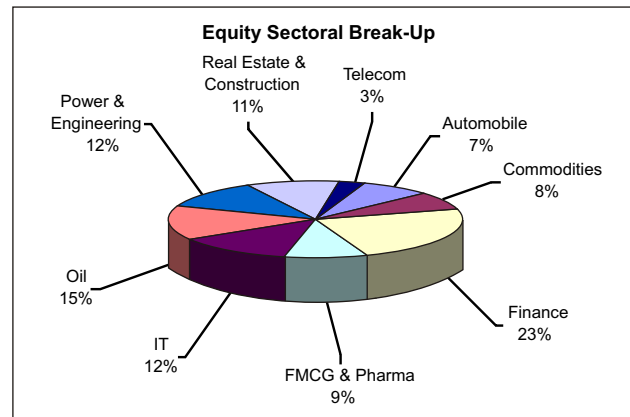
CRISIL Composite Bond Fund Index



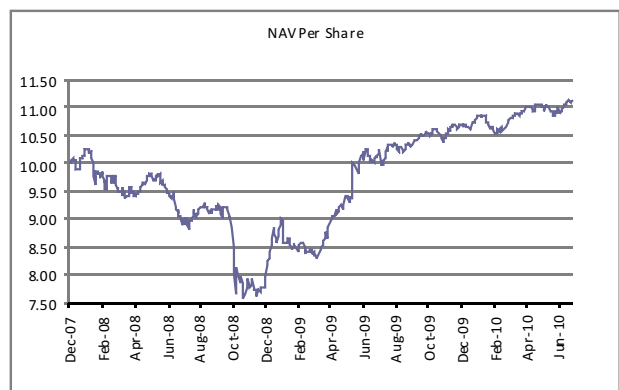
(Portfolio as on 30th June 2010)

Security Name	Wt	Rating
<b>Government Securities</b>	<b>27.24%</b>	
GOI 2027	19.30%	Sovereign
GOI 2032	2.94%	Sovereign
GOI 2011	2.34%	Sovereign
SDL Maharashtra 2019	1.54%	Sovereign
SDL Punjab 2019	1.12%	Sovereign
<b>Corporate Bonds</b>	<b>39.41%</b>	
Reliance Gas Transport Infrastructure	8.59%	AAA
IL&FS	5.34%	AAA
Tech Mahindra	4.41%	AAA
Reliance Capital Limited	4.26%	AAA
ICICI Bank Ltd	3.58%	AAA
Power Grid Corporation	3.47%	AAA
Power Finance Corporation Ltd	2.74%	AAA
Larsen & Toubro Ltd	2.63%	AAA
Reliance Energy	2.22%	AA+
Others	2.18%	
<b>Equities</b>	<b>27.17%</b>	
Reliance Industries Ltd	2.52%	
Infosys Technologies	2.17%	
Larsen & Toubro Ltd	2.03%	
ITC Ltd	1.70%	
ICICI Bank Ltd	1.62%	
State Bank Of India	1.26%	
HDFC Bank Ltd	1.07%	
BHEL	1.06%	
Others	13.74%	
<b>Cash and Money Market</b>	<b>6.17%</b>	
<b>Total</b>	<b>100.00%</b>	

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 30th June 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.

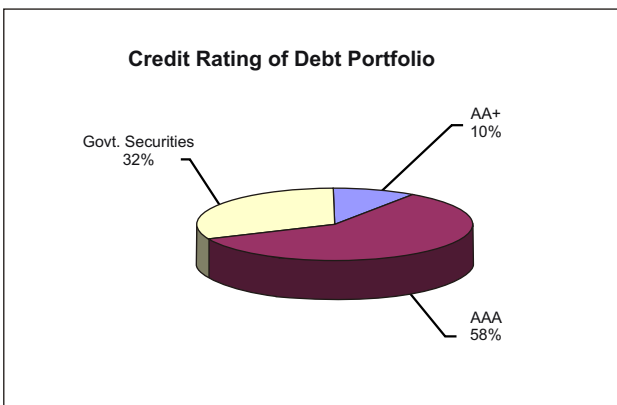
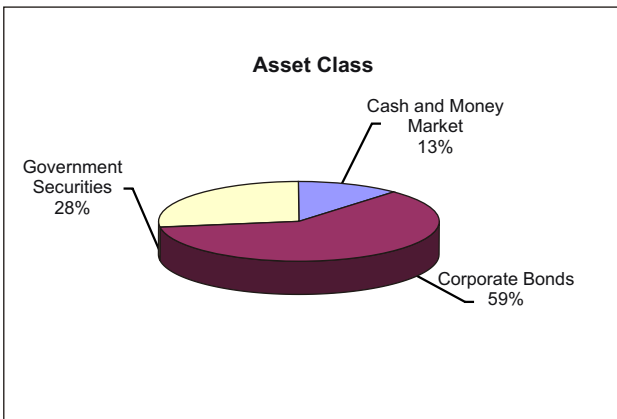
### Portfolio Returns

Returns	NAV	Benchmark
Last 1 year return	8.12%	4.69%
CAGR since inception	15.49%	8.21%

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	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

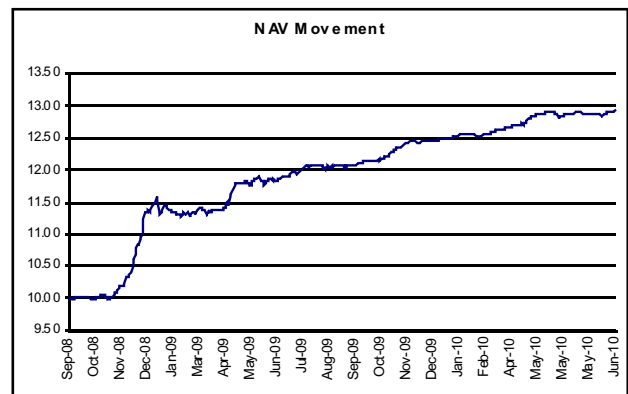


(Portfolio as on 30th June 2010)

Security Name	Wt	Rating
<b>Government Securities</b>	<b>28.32%</b>	
GOI 2013	15.52%	Sovereign
GOI 2012	6.51%	Sovereign
GOI 2027	5.01%	Sovereign
Others	1.29%	
<b>Corporate Bonds</b>	<b>59.26%</b>	
Reliance Gas Transport Infrastructure	9.36%	AAA
Tech Mahindra	8.66%	AAA
HDFC	8.66%	AAA
Reliance Capital Limited	8.55%	AAA
L&T Finance Ltd	8.53%	AA+
IL&FS	8.30%	AAA
Power Finance Corporation Ltd	6.98%	AAA
Others	0.21%	
<b>Cash and Money Market</b>	<b>12.42%</b>	
<b>Total</b>	<b>100.00%</b>	

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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