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MetInvest

Gratuity Fund Performance

Monthly Fund Update, February'12

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

ECONOMY

Indicators	Jan 2012	Feb 2012	M-o-M Variation
10-year G-Sec India (%)	8.28	8.20	-0.08
10 year AAA Corporate Bond (%)	9.29	9.27	-0.02
5 year G-Sec India (%)	8.29	8.33	0.04
5 year AAA Corporate Bond (%)	9.36	9.33	-0.03
1 year T-Bill (%)	8.48	8.45	-0.03
1 yr CD (%)	9.95	10.30	0.35
Exchange Rate (USD/INR)	49.46	49.02	-0.9%
Forex Reserves (USD Bn)	293	295	2.00
WPI Inflation (%)	7.47	6.55	-0.92
Index of Industrial Production (IIP) (%)	5.9	2.5	-3.4
US 10 year Treasury Yield (%)	1.80	1.97	0.17
Brent Crude Oil (USD/barrel)	110.98	122.66	10.5%
Sensex	17194	17753	3.3%
Nifty	5199	5385	3.6%

Source: RBI WSS & Bloomberg

Fixed Income Market

The month of February was largely positive for long term bonds as risk aversion increased globally. Domestic news flows were also positive for the bond markets.

The WPI inflation had declined by around 200 bps in December to 7.47%. It fell by a further 92 bps to 6.55% in January 2012. This fall was steeper than consensus expectations. Notably, the primary product inflation continued to moderate as seen in December, to 2.25% from double-digit levels a few months ago. This was largely due to a fall in the prices of fruit and vegetables. The Fuel index also declined marginally. A key positive was the drop in manufactured product inflation to 6.5% from a higher than 8% number earlier.

The Index of Industrial Production (IIP) grew 2.5% in December 2011 on account of a weak growth in manufacturing at 2.6% vs. 6.6% in November. Mining moderated its decline to -3.4% vs. -4.1% in November. Electricity grew at 9.1% vs. 14.6% in November.

The quarterly GDP growth (December 2011) moderated to 6.1%. This compares poorly with 8.3% growth in QE Dec 2010 and 6.9% in QE Sep 2011. The service sector reported robust growth in QE December 11.

There was deceleration in the mining and manufacturing sectors.

Brent crude oil surged by about 10.5% during the month. The primary reason was the geopolitical tension involving Iran. India imports about 80% of its crude oil requirements from the Gulf countries.

The long term yields softened on account of positive macroeconomic developments. Due to tight liquidity conditions in the bond market, the short term yields moved up sharply. The one year CD rates moved up to 10.30% from 9.95% in January. Although RBI continued to infuse liquidity into the system through Open Market Operations (OMO), the net liquidity deficit in the banking system continued to rise.

Equity Market

The month of February 2012 saw the January equity rally taking a slight breather. This was largely due to profit booking and mixed corporate results for the December quarter. The geopolitical tension involving Iran also had an impact on the equity market. Concerns over oil supply from Middle East have propelled Brent crude oil prices to USD 125 per barrel.

The US economy remains buoyant, supported by robust job creation. The European Central Bank is continuing with monetization and the liquidity has been keeping sentiments afloat. Central Banks in emerging markets have been promoting economic growth by reducing policy rates, as in the case of China and Brazil.

In the month of February, equity markets both in emerging as well as developed economies provided positive returns, with India at 3.6%. Brazil (4.3%), Russia (10.0%), China (5.9%), US (4.1%) and UK (3.3%) also performed well.

Foreign Institutional Investors (FIIs) maintained positive inflows into India with USD 5.1 bn of investment in February 2012 as against a net outflow of USD 512 mn in 2011. Domestic Institutional Investors, on the other hand, were net sellers of USD 2.4 bn in this month. INR ended flat at 49 to a dollar in February.

MARKET OUTLOOK

Sectoral Performance

The Automobile sector outperformed on the back of strong monthly sales numbers and expectations of decline in interest rates, going forward. There has been preponement of demand ahead of the upcoming union budget, in which there are expectations of increase in excise duty. Information Technology was one of the best performing sectors in February as positive data points from US and Europe implied improving demand environment. In addition to this, this sector also looked attractive from a relative valuation perspective.

The Banking sector's performance was range bound in the month. There were significant transactions in large market capitalization stocks which strained liquidity in the secondary market. Some negative news flows regarding a certain NPA account in aviation sector impacted PSU bank stocks.

Power utilities and Capital Goods stocks outperformed the index due to expectations of improving coal supply to upcoming power plants. Cement stocks outperformed as higher consumption growth and lower incremental capacity addition provided comfort to investors.

Outlook on Fixed Income Market

We expect RBI to continue OMO's in March, as liquidity is expected to remain tight due to advance tax payments and scheduled borrowings.

Bond yields are expected to remain under pressure, due to expectations of higher borrowing announcements in FY13. RBI's policy actions may not be aggressive due to the prevailing high crude oil prices. However, the low GDP growth rate registered in the December 2011 quarter may prompt RBI to consider reducing the Repo rate in March 2012 Policy review.

We continue to expect inflationary pressures to ease, going forward. However, the trend is likely to remain higher than RBI's comfort zone of 4-5%. Given expectations of falling inflation and declining interest rate scenario, we are cautiously optimistic on bond market, going forward.

Outlook on Equity Market

The Union Budget remains the most critical factor for markets in the near-term. We expect the government to make positive announcements with regard to social and infrastructure spending, although managing the budget deficit also remains a key priority.

We expect the market to remain volatile till the budget event and move into a positive trend over the medium term, if some concrete measures are announced by the government. We believe that policy actions from the Government and RBI may positively impact Equity markets. From a valuation perspective, Equity markets are reasonably priced for investors with a medium to long term horizon.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 29th Feb 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	6.0%	5.4%
Last 1 year Return	8.7%	6.1%
CAGR since inception	7.9%	7.1%

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

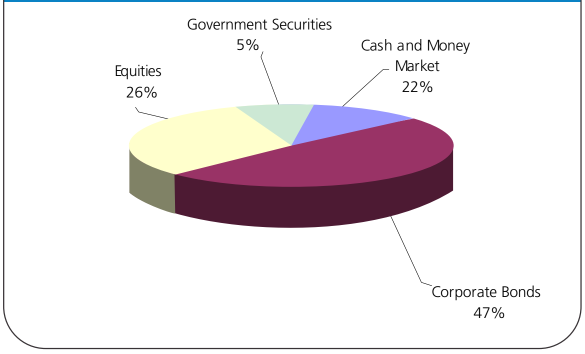
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 29 Feb 2012

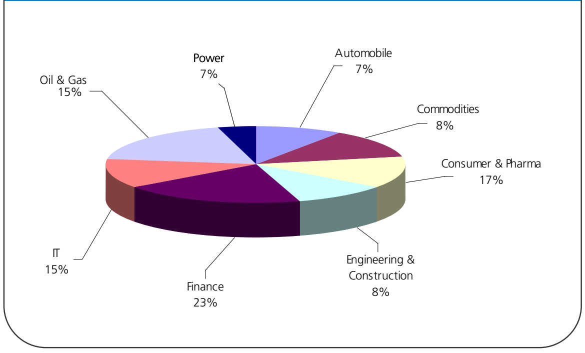
Security Name	Wt	Rating
Government Securities	**5.23%**	
GOI 2021	5.23%	Sovereign
Corporate Bonds	**47.09%**	
LIC Housing Finance Company Ltd	9.44%	AAA
Reliance Gas Transport Infrastructure	9.07%	AAA
IL&FS	7.88%	AAA
HDFC	7.84%	AAA
TATA Sons Ltd	7.65%	AAA
Reliance Industries Ltd	2.07%	AAA
Power Grid Corporation Ltd	1.88%	AAA
Power Finance Corporation Ltd	1.27%	AAA
Equities	**25.96%**	
Infosys Ltd.	2.31%	
Reliance Industries Ltd	1.85%	
ITC Ltd	1.72%	
HDFC Bank Ltd	1.55%	
ICICI Bank Ltd	1.26%	
HDFC	1.22%	
Larsen & Toubro Ltd	1.08%	
Tata Consultancy Services Ltd	1.06%	
Others	13.90%	
Cash And Money Market	**21.73%**	
Total	**100.00%**	

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

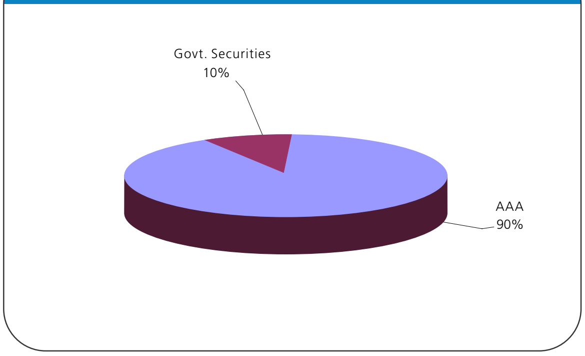
ASSET ALLOCATION



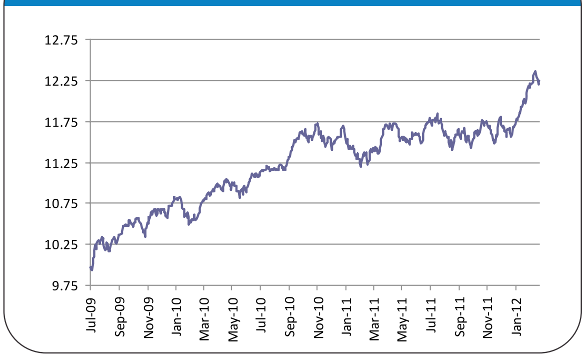
EQUITY SECTORAL BREAK-UP



CREDIT RATING OF DEBT PORTFOLIO



NAV MOVEMENT SINCE INCEPTION



(Date of inception: 07-July-2009)

Gratuity Debt

SFIN No: ULGF00105/06/04GRADEBTFND117

As on 29th Feb 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

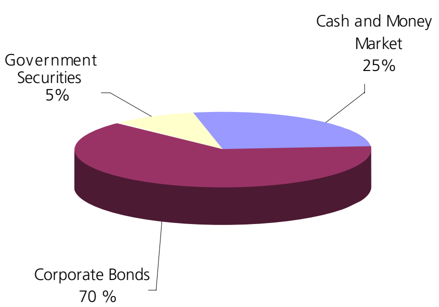
Returns	NAV	Benchmark
Last 6 months Return	6.2%	4.5%
Last 1 year Return	12.6%	8.3%
CAGR since inception	12.1%	7.5%

Past performance is not indicative of future performance

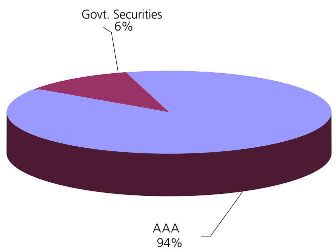
Note: Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities

Security type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

ASSET ALLOCATION



CREDIT RATING OF DEBT PORTFOLIO

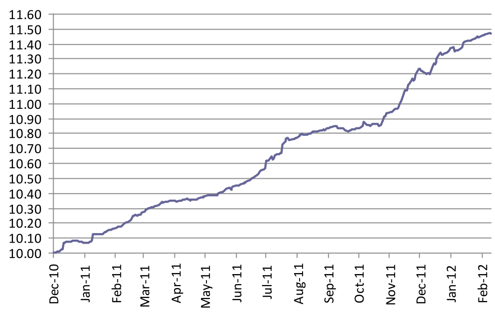


Gratuity Debt
Portfolio as on 29 Feb 2012

Security Name	Wt	Rating
Government Securities	**4.76%**	
GOI 2024	3.56%	Sovereign
Others	1.20%	
Corporate Bonds	**70.19%**	
IL&FS	8.72%	AAA
TATA Sons Ltd	8.45%	AAA
LIC Housing Finance Company Ltd	8.45%	AAA
HDFC	8.00%	AAA
Rural Electrification Corporation Ltd	7.42%	AAA
Reliance Port & Terminals Limited	7.13%	AAA
Power Finance Corporation Ltd	5.91%	AAA
Reliance Gas Transport Infrastructure	5.13%	AAA
SAIL	3.44%	AAA
Tech Mahindra	3.20%	AAA
Power Grid Corporation Ltd	2.68%	AAA
Reliance Capital Ltd	1.67%	AAA
Cash And Money Market	**25.05%**	
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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