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MetInvest

Gratuity Fund Performance

Monthly Fund Update, July'12

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

ECONOMY

Indicators	June 2012	July 2012	M-o-M Variation
10-year G-Sec (%)	8.18	8.25	0.07
10 year AAA Corporate Bond (%)	9.36	9.53	0.17
5 year G-Sec (%)	8.18	8.19	0.01
5 year AAA Corporate Bond (%)	9.43	9.54	0.11
1 year T-Bill (%)	8.06	8.00	-0.06
1 yr CD (%)	9.52	9.15	-0.37
Exchange Rate (USD/INR)	55.64	55.66	0.03%
Forex Reserves (USD Bn)	288	287	-1.00
WPI Inflation (%)	7.55	7.25	-0.30
IIP (%)	-0.9	2.40	3.30
US 10 year Treasury Yield (%)	1.64	1.47	-0.17
Brent Crude Oil (USD/barrel)	97.8	104.9	7.3%
Sensex	17430	17236	-1.11%
Nifty	5279	5229	-0.95%

Source: RBI WSS & Bloomberg

Economy

The month of July was a mixed one for the global economy. Weakness continued with poor growth, manufacturing and trade data coming from most countries. The Indian economy continued to struggle with falling growth and sticky inflation. The growth in Index of Industrial Production (IIP) for May 2012 was 2.4% (higher than consensus expectation of 1.8%). However, the growth for April was revised downwards from 0.1% to negative 0.9% (contraction).

Nonetheless, the positive commentary by European Central Bank (ECB) regarding saving the Euro Zone improved market sentiments and reduced risk averseness to some extent.

Inflation as measured by Wholesale Price Index (WPI) for June 2012 declined to 7.25% (consensus expectation was 7.5%) compared to 7.55% for May 2012. However, inflation for April 2012 was revised upwards from 7.23% to 7.50%. In June, the primary articles inflation continued to be high at 10.5%, manufactured goods inflation remained unchanged at 5% while fuel inflation fell to 10.3% against 11.5% in the previous month. The non-food manufactured inflation (core inflation) was stable at 4.9%.

Liquidity condition in the market improved significantly during the month. The average liquidity injection by RBI under Liquidity Adjustment Facility (LAF) reduced to around INR 459 bn in July compared to INR 915 bn in the previous month.

Debt Market

In the first quarter review of Monetary Policy 2012-13, the Central Bank left policy rates unchanged. As such, the Repo rate stays at 8% and CRR (Cash Reserve Ratio) at 4.75% (Repo Rate is the overnight rate at which banks borrow from RBI).

RBI reduced the Statutory Liquidity Ratio (SLR) of scheduled commercial banks by 1% from 24% to 23% of their Net Demand and Time Liabilities (NDTL). SLR is the minimum holding of Government Securities that banks need to maintain as a percentage of their NDTL.

RBI revised the GDP growth projection for current year (FY 2012-13) downwards from 7.3% to 6.5%. This is in line with consensus estimates. The projection for WPI inflation for March 2013 has been increased from 6.5% to 7.0%.

RBI mentioned that the primary focus of monetary policy remained controlling inflation. It indicated that there were several factors contributing to the growth slowdown, with contribution of interest rates being relatively lower. RBI also mentioned that it would continue to do OMOs (Open Market Operations) as and when necessary, to reduce pressure on liquidity.

The yield on 10 year benchmark security remained in a tight range of 8.05-8.15% during most part of the month. However, due to cut in SLR (which would reduce demand for Government securities by banks), and hawkish tone of RBI in the monetary policy, bond markets weakened further. The 10 year GSec yield rose sharply to 8.25% post the monetary policy, as RBI kept policy rates unchanged.

Going forward, yields in the bond market are expected to remain bearish. In our opinion, there is a low probability of RBI cutting rates in the near term, given high and sticky inflation. However, if stress on liquidity becomes severe, RBI may conduct OMOs which would be positive for bond yields. Over the medium to long term horizon, rates are likely to soften as RBI may have to cut rates to spur growth, especially if growth weakens significantly.

Equity Market

From an equity market perspective, the month of July was a non-event globally. Markets remained range bound ahead of important economic data releases and monetary policy announcements in US and Europe. Investors are grappling with weakening world economic growth led by slowdown in China, on-going economic crisis in Eurozone and tepid economic recovery in the US. There are, however, hopes of a coordinated move by global Central Banks to propel growth through economic stimulus and monetary easing. This factor has kept markets hopeful of an economic rebound.

The Commodities Index, after having declined substantially over the last six months, increased by 5% in July, mainly due to an increase in price of crude oil. INR largely remained unchanged. Foreign investors continue to remain positive with USD 1.8bn of inflows. The FII inflows (year to date) stand at USD 11bn.

The rainfall in June and July has been sporadic, with most parts of the country receiving deficient to scanty rainfall. The cumulative rainfall in these two months has been 19% below the normal level. For the country as a whole, a drought year is declared if 20-40% of total area is affected by moderate or severe drought.

The Information Technology sector underperformed the market, due to below consensus results and growing fear of sector slowdown. The global technology spends have been declining owing to an uncertain and volatile economic environment. As a result Indian technology companies, which generate bulk of their revenues from western economies, have been facing growth and margin pressures.

The Pharmaceutical sector outperformed the market in July on back of renewed action of USFDA approvals. USFDA (United States Food and Drug Administration) approves all pharmaceutical plants and products intended to serve the US market. USA is the largest pharmaceutical market as well as the most profitable. The latest round of approvals had been delayed for a long time, which impacted the exports of Indian pharmaceutical companies. India has the largest number of USFDA approved plants (outside USA) and faster approvals provide a solid boost to exports to US market.

The Banking sector results were a mixed-bag. The private sector banks reported better than expected results. However, PSU banks disappointed with results being weak on operating performance as well as on asset quality front.

Corporate results for the quarter ending June 2012 have been satisfactory. Consumption demand is still resilient. Global economy, though slowing down, does not appear to be heading towards any major crisis.

Deficient rainfall in most parts of the country is a matter of serious concern. Poor monsoon directly impacts food production, inflation and GDP growth. The indirect impact of a bad monsoon is felt through moderation in rural consumption. In addition to this, the country's fiscal situation gets adversely impacted as drought-relief measures and financial support to states puts strain on government's finances.

The current market valuations look supportive and are below the five year average. Going forward, in the short term, progress on monsoon and government policy action is likely to decide the course of market. From a medium to long-term perspective markets are attractively poised, in our opinion.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 31st July 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	4.2%	3.1%
Last 1 year return	6.7%	4.8%
CAGR since inception	7.6%	6.5%

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

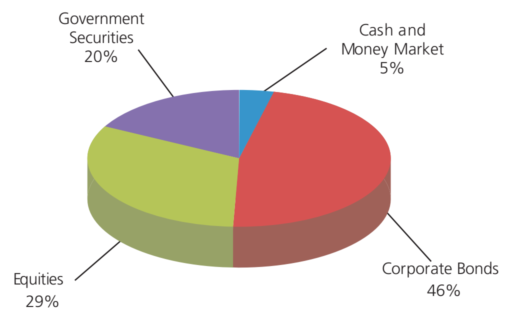
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 31 July 2012

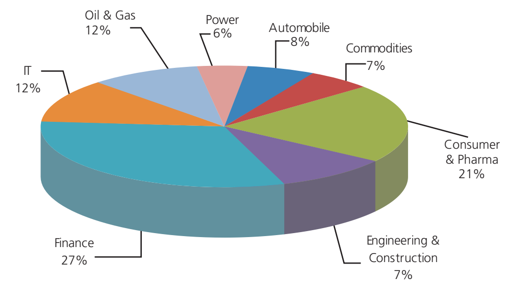
Security Name	Wt	Rating
Government Securities	**20.14%**	
GOI 2021	7.59%	Sovereign
GOI 2020	7.35%	Sovereign
GOI 2024	5.20%	Sovereign
Corporate Bonds	**45.48%**	
Reliance Gas Transport Infrastructure	8.85%	AAA
IL&FS	7.69%	AAA
Gail (India) Ltd	7.34%	AAA
LIC Housing Finance Company Ltd	6.97%	AAA
Reliance Industries Ltd	5.05%	AAA
HDFC	3.97%	AAA
TATA Sons Ltd	2.51%	AAA
Power Grid Corporation Ltd	1.85%	AAA
Power Finance Corporation Ltd	1.24%	AAA
Equities	**29.02%**	
ITC Ltd	2.10%	
ICICI Bank Ltd	1.80%	
HDFC Bank Ltd	1.73%	
Reliance Industries Ltd	1.65%	
Infosys Ltd.	1.61%	
HDFC	1.40%	
Larsen & Toubro Ltd	1.07%	
Others	17.67%	
Cash And Money Market	**5.35%**	
Total	**100.00%**	

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

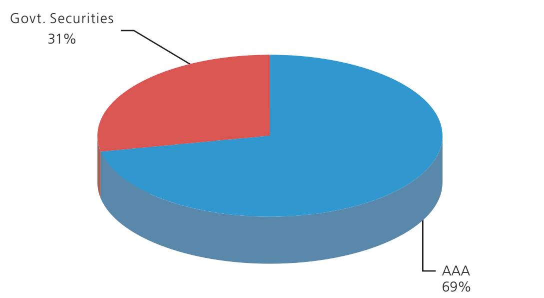
ASSET ALLOCATION



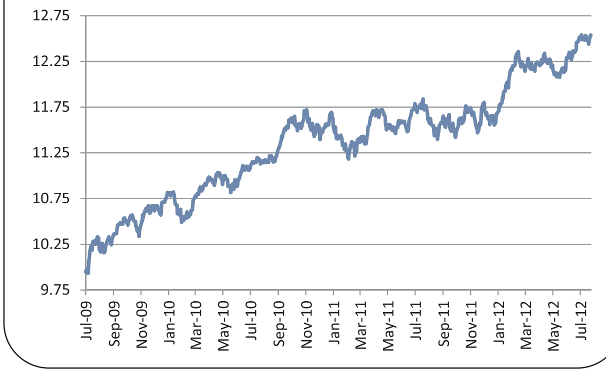
EQUITY SECTORAL BREAK-UP



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 31st July 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

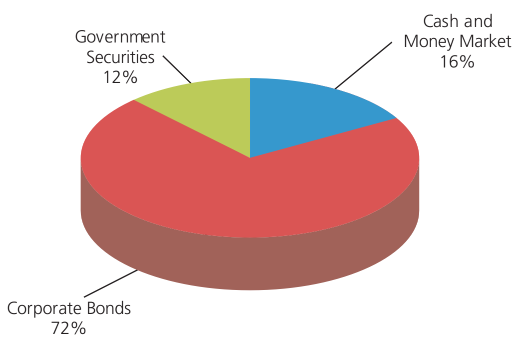
Returns	NAV	Benchmark
Last 6 months return	4.5%	4.1%
Last 1 year return	11.5%	8.8%
CAGR since inception	11.3%	7.7%

Past performance is not indicative of future performance

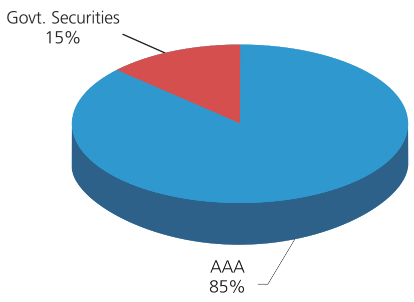
Note: Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities

Security type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

ASSET ALLOCATION



CREDIT RATING OF DEBT PORTFOLIO

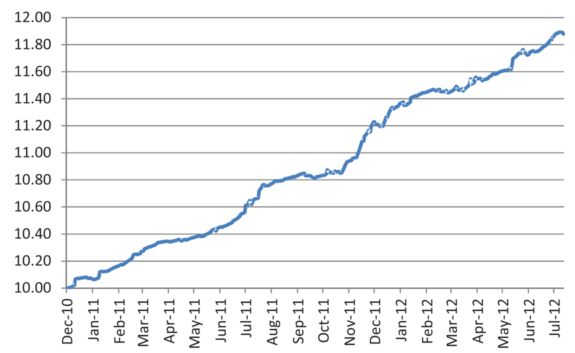


Gratuity Debt
Portfolio as on 31 July 2012

Security Name	Wt	Rating
Government Securities	**12.32%**	
GOI 2015	7.45%	Sovereign
GOI OIL Bond 2012	4.55%	Sovereign
Others	0.31%	
Corporate Bonds	**71.57%**	
LIC Housing Finance Company Ltd	8.49%	AAA
Reliance Ports And Terminals Ltd	8.09%	AAA
IL&FS	7.91%	AAA
TATA Sons Ltd	7.68%	AAA
Gail (India) Ltd	7.54%	AAA
Reliance Industries Ltd	7.54%	AAA
Power Finance Corporation Ltd	5.37%	AAA
Reliance Gas Transport Infrastructure	4.66%	AAA
HDFC	4.55%	AAA
SAIL	3.16%	AAA
Tech Mahindra	2.93%	AAA
Power Grid Corporation Ltd	2.45%	AAA
Rural Electrification Corporation Ltd	1.21%	AAA
Cash And Money Market	**16.11%**	
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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