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Met Invest

Gratuity Fund Performance

Monthly Fund Update, June'12

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

ECONOMY

Indicators	May 2012	June 2012	M-o-M Variation
10-year G-Sec (%)	8.50	8.18	-0.32
10 year AAA Corporate Bond (%)	9.36	9.36	0.00
5 year G-Sec (%)	8.31	8.18	- 0.13
5 year AAA Corporate Bond (%)	9.40	9.43	0.03
1 year T-Bill (%)	8.19	8.06	-0.13
1 yr CD (%)	9.88	9.52	-0.36
Exchange Rate (USD/INR)	56.11	55.64	-0.8%
Forex Reserves (USD Bn)	288	288	0.00
WPI Inflation (%)	7.23	7.55	0.32
Index of Industrial Production (IIP) (%)	-3.2	0.1	3.30
US 10 year Treasury Yield (%)	1.56	1.64	0.08
Brent Crude Oil (USD/barrel)	101.87	97.8	-4.0%
Sensex	16219	17430	7.47%
Nifty	4924	5279	7.21%

Source: RBI WSS & Bloomberg

The month of June was good for Equity markets with positive global and domestic developments. The positive outcome of Greece elections lowered the risk of country's exit from Eurozone. This improved market sentiment and reduced risk averseness, thereby resulting in a global rally. The European Central Bank (ECB) meet outcome of directly capitalizing banks was also taken positively by the market.

On the domestic front, there were positive developments related to GAAR (General Anti-Avoidance Rule) as well as investments in the infrastructure sector. The de-bottlenecking at policy level and increase in flow of capital may help restart investment cycle in the Indian economy. The combined effect of these global and domestic developments led to a 7.2% up move in Nifty in June 2012.

The Indian Rupee (INR) has depreciated by 25% (against USD) over the last 12 months. This was primarily due to high current account deficit and global risk aversion, due to the Eurozone crisis. The current account deficit deteriorated to a record high of 4.2 % of GDP in FY 2012 as compared to 2.6% in FY 2011. This was due to a sharp increase in oil and gold imports and decline in exports.

However, over the last few months, crude oil prices have fallen by more than 20%. In addition to this, gold imports have also seen a significant decline post increase in import duties. These developments are likely to have a positive impact on current account deficit as well as the currency. The positive confluence of decline in current account deficit, pick up in exports and subsequent increase in foreign reserves can lead to currency appreciation in the medium term.

Debt Market

The RBI did not reduce policy rates in the Mid-Quarter monetary policy review citing high inflation and fragile global economic environment as key reasons. This was against the market expectations of a 25 basis point rate cut.

Despite this disappointment, bonds yields softened in both long tenure as well as short tenure securities. Yields declined by 50 basis points for three month securities (CDs and CPs). The new 10 year benchmark was introduced at a coupon rate of 8.15%. The yield for this new benchmark ranged from 8.00% to 8.19%, and finally settled at around 8.18%. The spread between 10 year Government Securities and 10 year corporate bonds remained flat.

The downward trajectory in yields indicates market expectation of a rate cut in the near term. The fall in commodity prices, particularly crude oil, will help in containing inflation. The increase in FII limits in Government Securities and Corporate bonds is a positive development and may have a softening impact on yields.

However, the present inflation level is higher than RBI's comfort zone of 5-6%. This may prevent easing of monetary policy. Going forward, we expect Government Security issuances to be supported by OMOs (Open Market Operations). We expect GSec yields to be range bound in the near term and maintain a neutral stance.

Equity Market

There were significant measures announced by the Government with regard to Infrastructure investments and expected policy measures. This improved sentiment in the Engineering and Construction sector, which outperformed the index in June. Market expects infrastructure companies to benefit from increasing government focus and spending across various segments such as roads, irrigation, ports, airports and urban infrastructure.

Banks selectively outperformed in June after a prolonged period of underperformance. Although concerns still remain on the high level of existing Non Performing Assets (NPAs) and restructured assets, investors believe that the worst is over. The incremental news on asset quality is likely to be positive. The consensus estimates expect net interest margins (NIMs) of banks to improve or remain stable in the quarterly results.

The cement sector reversed the downtrend seen in May 12, as delayed monsoon and marginal price hikes taken by cement players in June helped improve sentiment for cement stocks. The Competition Commission of India (CCI) found large cement companies guilty of cartelization and imposed penalty on 10 cement companies. The companies are likely to appeal to Competition Appellate Tribunal to get a stay on CCI order. This had been an overhang on the sector for last two months.

The Information Technology sector underperformed the market, as news flow about global economic environment remained negative. The expected growth rate for this sector is at the lowest level compared to the average of last three years. This is due to expectations of lower IT spend in developed economies. We expect the results of IT companies to be subdued for June quarter.

With the start of first quarter results, we remain cautious, given the uncertainty prevailing in many key sectors such as banking, infrastructure, commodities etc. In our opinion, policy action by the government could be a positive trigger for markets. Based on current valuations, equity markets look attractive from a medium to long-term perspective.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 30th June 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	7.8%	7.3%
Last 1 year return	6.4%	4.1%
CAGR since inception	7.7%	6.6%

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

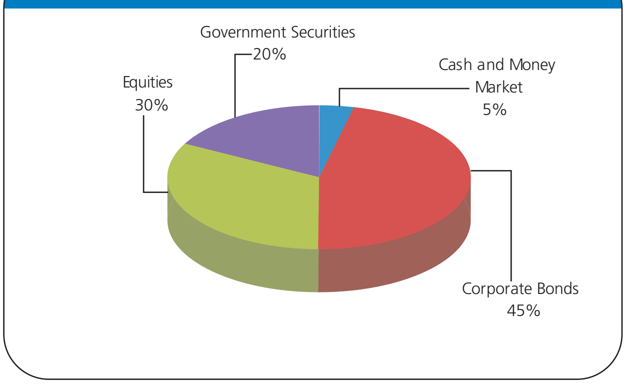
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 30 June 2012

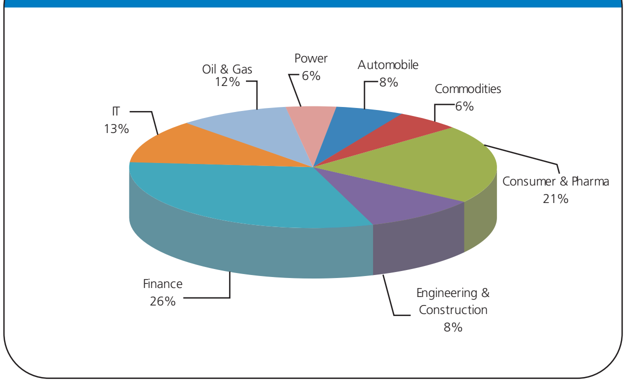
Security Name	Wt	Rating
Government Securities	**20.25%**	
GOI 2021	7.62%	Sovereign
GOI 2020	7.41%	Sovereign
GOI 2024	5.22%	Sovereign
Corporate Bonds	**45.46%**	
Reliance Gas Transport Infrastructure	8.85%	AAA
IL&FS	7.69%	AAA
Gail (India) Ltd	7.33%	AAA
LIC Housing Finance Company Ltd	6.97%	AAA
Reliance Industries Ltd	5.06%	AAA
HDFC	3.97%	AAA
TATA Sons Ltd	2.50%	AAA
Power Grid Corporation Ltd	1.85%	AAA
Power Finance Corporation Ltd	1.24%	AAA
Equities	**29.72%**	
ITC Ltd	2.11%	
Infosys Ltd.	1.91%	
ICICI Bank Ltd	1.69%	
HDFC Bank Ltd	1.66%	
Reliance Industries Ltd	1.64%	
HDFC	1.32%	
Larsen & Toubro Ltd	1.17%	
Tata Consultancy Services Ltd	1.09%	
State Bank Of India	1.03%	
Others	16.09%	
Cash And Money Market	**4.57%**	
Total	**100.00%**	

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

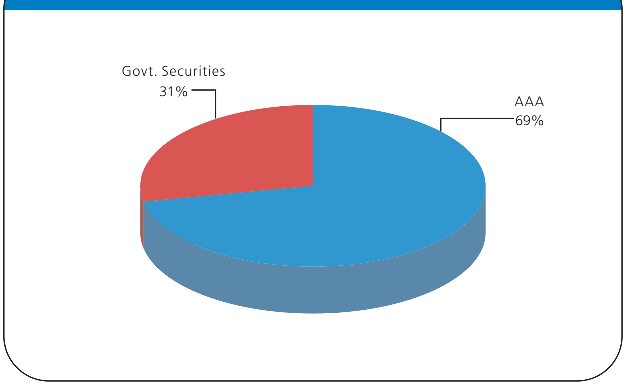
ASSET ALLOCATION



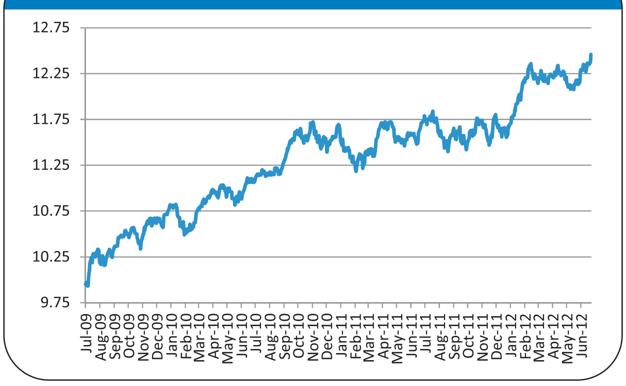
EQUITY SECTORAL BREAK-UP



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 30th June 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

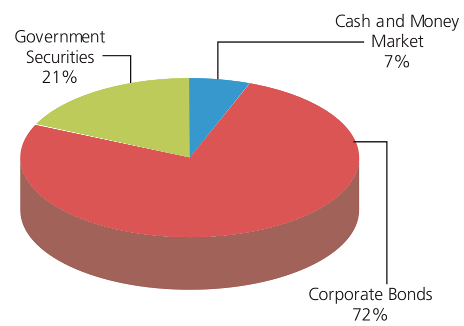
Returns	NAV	Benchmark
Last 6 months return	4.9%	4.4%
Last 1 year return	12.2%	8.7%
CAGR since inception	11.1%	7.6%

Past performance is not indicative of future performance

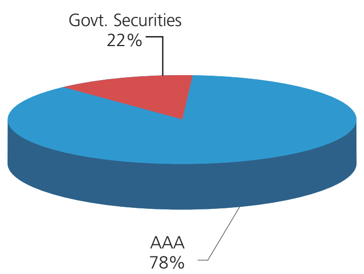
Note: Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities

Security type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

ASSET ALLOCATION



CREDIT RATING OF DEBT PORTFOLIO

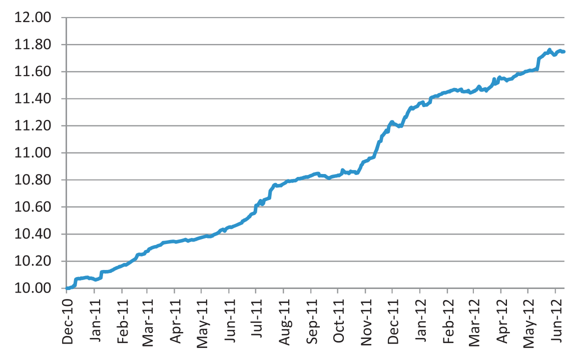


Gratuity Debt
Portfolio as on 30 June 2012

Security Name	Wt	Rating
Government Securities	**20.69%**	
GOI 2024	8.16%	Sovereign
GOI 2015	7.58%	Sovereign
GOI OIL Bond 2012	4.63%	Sovereign
Others	0.32%	
Corporate Bonds	**72.57%**	
LIC Housing Finance Company Ltd	8.61%	AAA
Reliance Ports And Terminals Ltd	8.21%	AAA
IL&FS	8.01%	AAA
TATA Sons Ltd	7.79%	AAA
Reliance Industries Ltd	7.65%	AAA
Gail (India) Ltd	7.64%	AAA
Power Finance Corporation Ltd	5.44%	AAA
Reliance Gas Transport Infrastructure	4.72%	AAA
HDFC	4.61%	AAA
SAIL	3.20%	AAA
Tech Mahindra	2.97%	AAA
Power Grid Corporation Ltd	2.49%	AAA
Rural Electrification Corporation Ltd	1.22%	AAA
Cash And Money Market	**6.74%**	
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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