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Met Invest

Gratuity Fund Performance

Monthly Fund Update, August'12

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

ECONOMY

Indicators	Jul-12	Aug-12	M-o-M Variation
10 year GSec (%)	8.25	8.24	-0.01
10 year AAA Corporate Bond (%)	9.53	9.45	-0.08
5 year GSec (%)	8.19	8.23	0.04
5 year AAA Corporate Bond (%)	9.54	9.47	-0.07
1 year T-Bill (%)	8.00	8.09	0.09
1 year CD (%)	9.15	9.07	-0.08
Exchange Rate (USD/INR)	55.66	55.53	-0.23%
Forex Reserves (USD bn)	289	290	1.0
WPI Inflation (%)	7.25	6.87	-0.38
IIP (%)	2.5	-1.8	-4.30
US 10 year Treasury Yield (%)	1.47	1.55	0.08
Brent Crude Oil (USD/barrel)	104.9	114.57	9.2%
Sensex	17236	17430	1.12%
Nifty	5229	5259	0.56%

Source: RBI WSS & Bloomberg

Economy

Weakness in the global economy continued in August 2012 with disappointing data on economic growth and manufacturing coming from most countries. However, global equity markets and commodities were buoyant on account of ECB's (European Central Bank) assurance that it would take concrete steps to save the Eurozone. In addition to this, hopes of Quantitative Easing III (monetary easing) from the US Federal Reserve also supported equity markets.

On domestic front, the Indian economy continued to struggle with falling growth and high inflation, coupled with lack of policy action from the Government. The growth in Index of Industrial Production (IIP) for the month of June 2012 was negative 1.8% (de-growth). This was lower than the consensus expectation of 0.4% growth.

The Q1 FY13 GDP growth was 5.5% compared to 5.3% growth during Q4 FY12 (March quarter). This was on account of good numbers from the construction and services sector. The Indian Rupee (INR) was stable versus USD in the month of August.

The WPI (Wholesale Price Index) inflation for July 2012 was lower at 6.87% compared to 7.25% for June. However, non-food manufacturing inflation (core inflation), which is closely watched by RBI, was 5.4% as against 4.9% in the previous month.

Fixed Income Market

The Government securities market was range-bound in August. With RBI clearly mentioning that the primary focus of monetary policy was to control inflation, the sentiment in GSec market was cautious at beginning of the month.

The lower IIP growth number of June coupled with lower inflation data improved market sentiment. As a result there was some buying interest seen in market, which started getting hopeful about a possible reduction in policy rates by RBI. The yield on 10-year Government security paper touched a low of 8.14% by second week of the month.

However, RBI officials continued to maintain a hawkish stance and reiterated that they would endeavor to bring inflation down to 5% or lower. This brought back bearish sentiment in the market as hopes of rate cut by RBI started waning. By end of the month, the yield on 10-year Government security climbed back to 8.24%.

Outlook on Fixed Income Market

Going forward, the yields in Government securities market are expected to remain range bound. With inflation remaining high and sticky, the consensus expectation of a rate cut by RBI in the September Mid quarter review of Monetary policy is quite low. However, if liquidity stress becomes severe, RBI may conduct Open Market Operations (OMOs), which would be positive for bond yields.

MARKET OUTLOOK

Equity Market

August was a volatile month for the Indian equity market. During the month, market rose to close to a five-month high owing to expectations of fiscal and economic reforms. The gains were short-lived and markets ended flat, as political crisis took centre stage after the CAG report on coal block allocation was presented in the Parliament.

The GDP growth rate for Q1FY13 came in at 5.5%. This was the second consecutive quarter of below 6% growth for the Indian economy. An analysis of GDP data showed that the industrial growth cycle had weakened further while services and consumption growth had started moderating.

The rainfall situation in the country improved significantly in August with deficiency declining from 19% in July-end to 13% at the end of August.

Globally, equity markets rallied amid expectations of monetary easing and economic stimulus from the US Federal Reserve as well as continued positive comments from Eurozone leaders. Almost all major markets ended positive, except China which fell by 3% due to growth concerns.

FII flows continued to remain positive with USD 1.5 billion of net inflow during the month. FII inflows have significantly supported the Indian equity market in 2012, despite a gloomy domestic macro-economic environment.

Sectoral Performance

The Information Technology (IT) sector outperformed during the month as positive news flow from US and Europe alleviated near term growth concerns. This sector derives bulk of its revenues from western economies and a stable economic environment augurs well for the sector. Although rupee depreciation has been favourable for this sector, the growth prospect of top-tier companies has been a key negative point highlighted by investors.

The Fast Moving Consumer Goods (FMCG) sector too did well owing to its defensive nature and earnings resilience. Revival in monsoon not only helps in sustaining demand momentum from rural part of the country, but also helps in margin expansion as input cost pressures subside.

The Banking and Financial services sector under-performed the market, largely due to fresh news of defaults and expected increase in restructured / non-performing assets (NPAs). The under performance was primarily in PSU Banks which face twin pressures emanating from expected increase in NPAs coupled with weak credit demand. The investment preference during the month was clearly in favour of private sector banks. In the current scenario, private sector banks are better poised as they have tightened credit norms for corporate loans. In addition to this, these banks are increasingly focusing on the retail business, where credit exposures are more diversified.

The metal stocks significantly underperformed the market in August. Weak PMI (Purchasing Managers Index) numbers from China aggravated investor nervousness. On domestic front, the tabling of CAG report in Parliament on coal block allocation triggered fears of de-allocation of some of the coal blocks. However, many domestic companies have a captive coal block, which provides them a cost advantage in an uncertain global pricing environment.

Outlook on Equity Market

Though the current political scenario remains gloomy and expectations of any major reforms seem to be waning, equity market valuations are reasonable. However, the revival in economic growth hinges, to a large extent, on reduction in interest rates and pro-growth reforms. Notwithstanding the current despondency, market direction in the near term appears to be dependent primarily on global developments. As always, it is difficult to time the market. In our opinion, the current valuation zone of Indian equity market provides a good margin of safety for long term investors.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 31st Aug 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	3.3%	2.1%
Last 1 year return	9.5%	7.6%
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

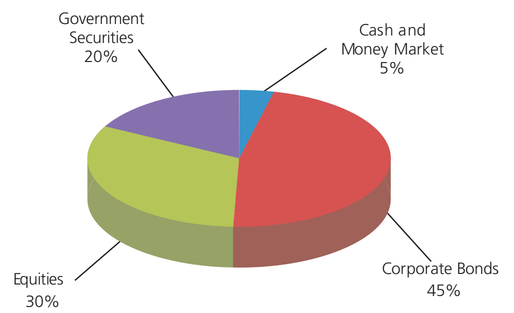
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 31 Aug 2012

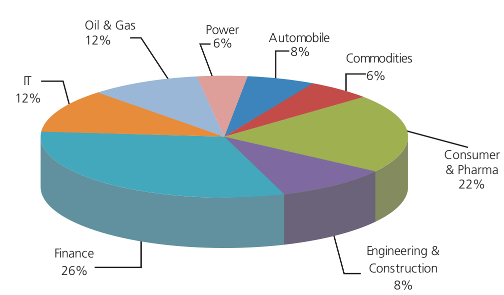
Security Name	Wt	Rating
Government Securities	**19.99%**	
GOI 2021	7.54%	Sovereign
GOI 2020	7.29%	Sovereign
GOI 2024	5.17%	Sovereign
Corporate Bonds	**45.26%**	
Reliance Gas Transport Infrastructure	8.81%	AAA
IL&FS	7.66%	AAA
Gail (India) Ltd	7.31%	AAA
LIC Housing Finance Company Ltd	6.93%	AAA
Reliance Industries Ltd	5.02%	AAA
HDFC	3.96%	AAA
TATA Sons Ltd	2.49%	AAA
Power Grid Corporation Ltd	1.84%	AAA
Power Finance Corporation Ltd	1.24%	AAA
Equities	**29.39%**	
ITC Ltd	2.07%	
Infosys Ltd.	1.78%	
HDFC Bank Ltd	1.74%	
Reliance Industries Ltd	1.68%	
ICICI Bank Ltd	1.68%	
HDFC	1.56%	
Tata Consultancy Services Ltd	1.05%	
Larsen & Toubro Ltd	1.05%	
Others	16.77%	
Cash And Money Market	**5.36%**	
Total	**100.00%**	

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

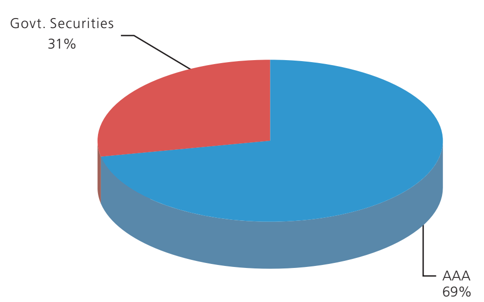
ASSET ALLOCATION



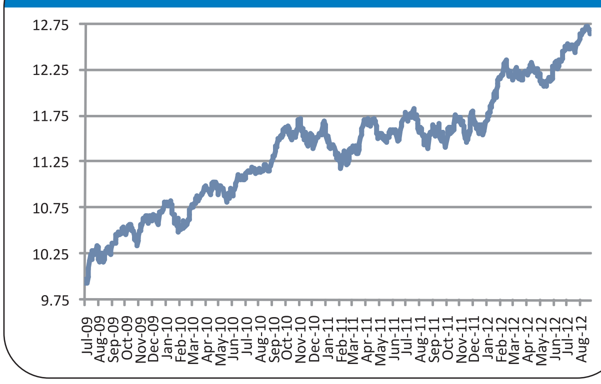
EQUITY SECTORAL BREAK-UP



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 Aug 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

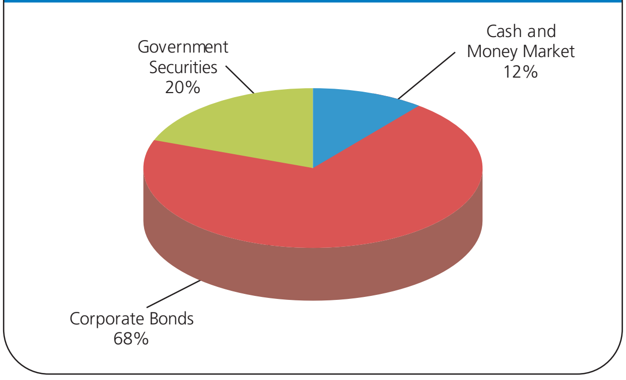
Returns	NAV	Benchmark
Last 6 months return	4.4%	4.1%
Last 1 year return	10.9%	8.7%
CAGR since inception	11.2%	7.7%

Past performance is not indicative of future performance

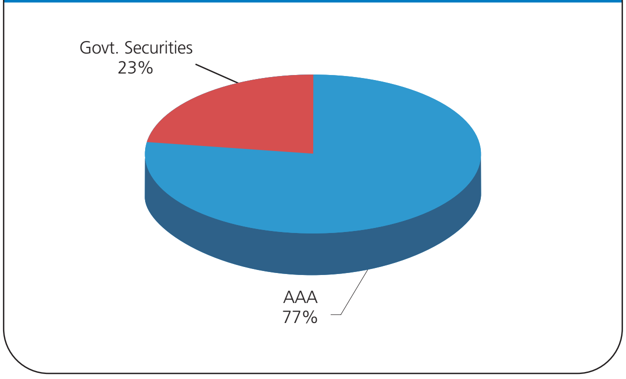
Note: Benchmark has been calculated as per the target holding of the fund i.e. 100% Debt Securities

Security type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

ASSET ALLOCATION



CREDIT RATING OF DEBT PORTFOLIO

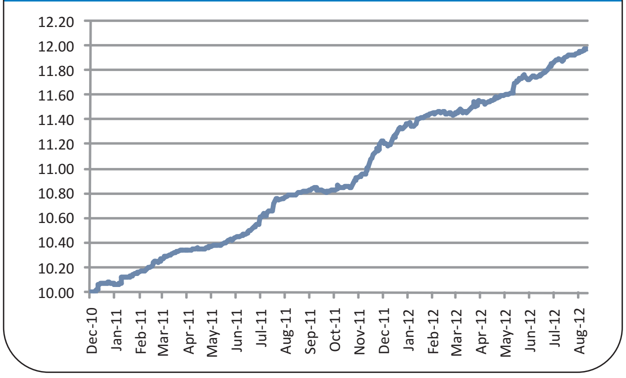


Gratuity Debt
Portfolio as on 31 Aug 2012

Security Name	Wt	Rating
Government Securities	**20.52%**	
GOI 2030	15.14%	Sovereign
GOI OIL Bond 2026	5.06%	Sovereign
Others	0.31%	
Corporate Bonds	**67.84%**	
LIC Housing Finance Company Ltd	8.19%	AAA
Reliance Ports And Terminals Ltd	7.80%	AAA
IL&FS	7.62%	AAA
TATA Sons Ltd	7.41%	AAA
Gail (India) Ltd	7.28%	AAA
Reliance Industries Ltd	7.26%	AAA
Power Finance Corporation Ltd	5.18%	AAA
Reliance Gas Transport Infrastructure	4.49%	AAA
HDFC	4.39%	AAA
SAIL	3.04%	AAA
Tech Mahindra	2.82%	AAA
Power Grid Corporation Ltd	2.36%	AAA
Cash And Money Market	**11.64%**	
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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