MetInvest

Gratuity Fund Performance

Monthly Fund Update, March’13

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

ECONOMY

Indicators	31-Jan-13	28 Feb-13	M-o-M Variation
10-year G-Sec India (%)	7.91	7.87	-0.04
10 year AAA Corporate Bond (%)	8.79	8.91	0.12
5 year G-Sec India (%)	7.98	7.94	-0.04
5 year AAA Corporate Bond (%)	8.78	8.95	0.17
1 year T-Bill (%)	7.82	7.91	0.09
1 yr CD (%)	8.97	9.35	0.38
WPI Inflation (%)	7.18	6.62	-0.56
IIP (%)	-0.80	-0.60	0.20
US 10-Year Treasury Yield (%)	1.98	1.88	-0.10
Exchange Rate (USD/INR)	53.23	54.36	2.1%
Forex Reserves (USD Bn)	296	292	-1.4%
Brent Crude Oil (USD/barrel)	116	111	-3.6%
Sensex	19895	18862	-5.2%
Nifty	6035	5693	-5.7%

Source: Bloomberg, Reuters and WSS from RBI

Economy

During the month of February 2013, Indian economy continued to face the problem of low growth as seen in low GDP and IIP growth numbers. However, inflation continued with its downward trajectory, thereby providing the much needed relief to the economy.

The Index of Industrial Production (IIP) for the month of December 2012 fell to -0.6% (de-growth), as against an expectation of 1% growth. The contraction was largely led by mining and manufacturing.

The advance estimates of FY13 GDP growth came very low at 5.0% (lowest in last 10 years). The main reason for lower number was slowdown in services sector, which accounts for almost 60% of the overall GDP. The services sector is estimated to grow by 6.6% in FY13, down from 8.2% in FY12. Similarly, the manufacturing sector is estimated to grow at 3.1% as against 3.5% in the previous year.

Inflation as measured by Wholesale Price Index (WPI) continued with the trend of lower print. Inflation for the month of January 2013 was 6.6% compared to 7.2% for December 2012. The moderation in fuel prices and manufactured goods prices were the main reasons for decline in inflation.

Equity Market

Indian equity markets fell in February as investors turned cautious before the Union Budget. At a broad level, the Union Budget for FY14 met investors' expectation. Fiscal deficit, which has been one of the key concerns, is pegged at 4.8% for FY14 as against 5.2% in FY13. There were no major populist measures either, as the Finance Minister stuck to his fiscal consolidation policy. However, the 19% increase in tax revenues for FY14 seems slightly optimistic given the slowing economic growth. In addition to this, the divestment target of Rs 540 bn may see some slippages. Notwithstanding these concerns, overall it was a well-balanced budget.

Globally, equity markets turned volatile in February as concerns regarding early withdrawal of easy monetary policy in the US and unfavorable election results in Italy raised doubts over global economic recovery. However, global markets recovered post Federal Reserve's assurance that US will continue with low interest rate regime to enable faster economic recovery.

Developed markets outperformed emerging markets and commodities. Key developed markets such as US, UK and Japan rose by 1.4%, 1.3% and 4% respectively while emerging markets such as India, China and Brazil fell by 6%, 1% and 4% respectively. Commodities, especially industrial metals, such as Aluminum, Copper and Zinc fell by 4% each.

FII flows continued to remain strong with USD 4.6 bn inflows compared to an inflow of USD 4 bn in the previous month. The cumulative FII inflows for CY13 now stand at USD 8.6 bn as compared to USD 25 bn for entire CY12.

Sectoral Performance

The Information Technology sector continued to outperform as growth outlook for the sector has improved over past few months. This is largely on account of on-going recovery in the US economy and increase in outsourcing orders from the European region. Information Technology being an export-oriented sector also benefits from weak domestic currency.

The Capital Goods sector underperformed as quarterly results for infrastructure companies were disappointing in terms of order book execution, shrinking operating margins and expanding working capital cycle. The delay in finalization of state electricity board restructuring plans also contributed to the fall.

Banks and NBFCs were in focus as RBI came out with the final guidelines for new bank licenses. Earlier in the month, disappointing quarterly results from some of the large PSU Banks (primarily on asset quality front) had led to a sell-off in the banking sector.

Equity Market Outlook

The budget and third quarter result season, which were two important events for equity markets, were largely in line with market expectations. RBI's credit policy meet due in mid-March is the next significant event on investors' radar. Given that inflation is at a 3-year low and core inflation is below the medium term trend line, consensus expectation is of a 25 bps reduction in interest rates.

On the macro-economic front, GDP growth seems to have bottomed out and is expected to recover gradually over the next few quarters. The Economic Survey released by the Government estimates GDP growth for FY14 in the range of 6.1% to 6.7% as against 5% for FY13. This augurs well for corporate profits and equities. Globally, liquidity conditions remain benign and flows towards emerging market equities is expected to remain strong. Post the recent correction, valuations have turned attractive. We continue to remain positive on equities.

Debt Market and Outlook

The Government securities market was positive in first half of the month as both IIP data and WPI inflation data came lower than expectation. This made market hopeful of a rate cut in the coming months, thereby leading to buying interest in the market.

In the Union Budget, the Finance Minister kept his word regarding a lower fiscal deficit at 4.8% for FY14. However, due to the higher gross borrowing number and optimistic assumptions of revenue targets for FY14, there was a sell off seen in the debt market. By end of the month, the 10 year benchmark Government security closed at 7.87%.

The corporate bond rates hardened marginally towards end of the month due to hardening of rates in the Government Securities market. The yield on 10 year AAA rated bonds rose from 8.80% at beginning of the month to 8.90% by end of the month. In the money market, Certificate of Deposit (CD) rates inched up due to tight liquidity conditions. The one year CD rates moved up from 9% to 9.35%.

Going forward, we expect RBI to reduce interest rates to support economic growth. However, the timing and quantum of rate reduction would depend on growth and inflation dynamics in the economy.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 28th Feb 2013

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%	5.8%
Last 1 year return	9.5%	8.0%
Last 3 year (CAGR)	8.1%	6.7%
CAGR since inception	8.4%	7.3%

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

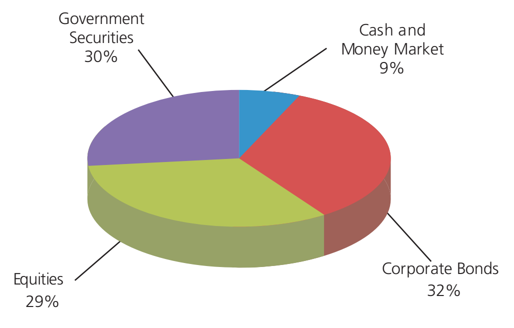
Security type	Benchmark Index
Equity	S&P CNX Nifty
Debt	CRISIL Composite Bond Fund Index

Gratuity Balanced
Portfolio as on 28 Feb 2013

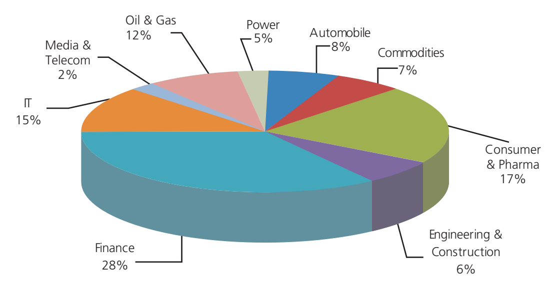
Security Name	Wt	Rating
Government Securities	**30.31%**	
GOI 2041	7.80%	Sovereign
GOI 2042	7.41%	Sovereign
GOI 2030	5.20%	Sovereign
GOI 2026	4.96%	Sovereign
GOI 2036	4.93%	Sovereign
Corporate Bonds	**31.71%**	
Reliance Gas Transport Infrastructure	8.82%	AAA
Gail (India) Ltd	7.29%	AAA
LIC Housing Finance Company Ltd	6.86%	AAA
HDFC	3.23%	AAA
TATA Sons Ltd	2.47%	AAA
Power Grid Corporation Ltd	1.81%	AAA
Power Finance Corporation Ltd	1.23%	AAA
Equities	**29.39%**	
Infosys Ltd.	2.38%	
ITC Ltd	2.11%	
ICICI Bank Ltd	1.75%	
Reliance Industries Ltd	1.74%	
HDFC Bank Ltd	1.63%	
HDFC	1.46%	
Tata Consultancy Services Ltd	1.10%	
Larsen & Toubro Ltd	1.02%	
Others	16.21%	
Cash And Money Market	**8.60%**	
Total	**100.00%**	

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

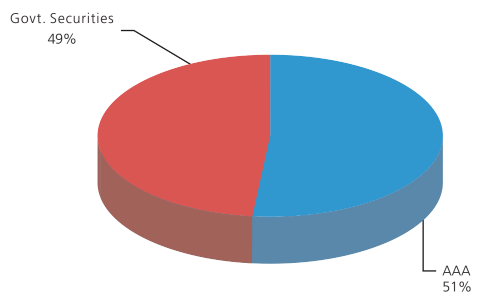
ASSET ALLOCATION



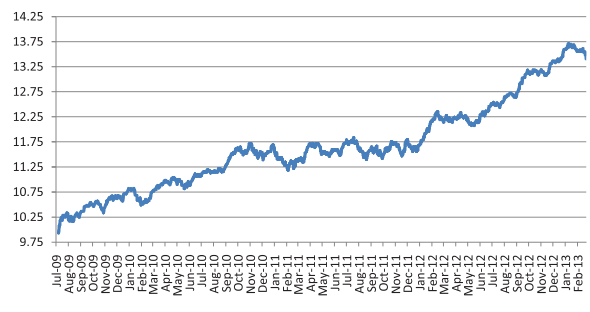
EQUITY SECTORAL BREAK-UP



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 28th Feb 2013

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	5.6%	4.8%
Last 1 year return	10.3%	9.0%
CAGR since inception	11.3%	8.2%

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

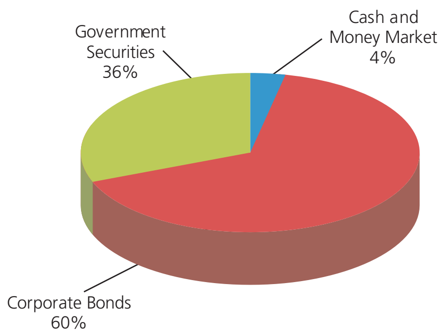
Security type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

Gratuity Debt
Portfolio as on 28 Feb 2013

Security Name	Wt	Rating
Government Securities	**35.68%**	
GOI 2036	10.75%	Sovereign
GOI 2026	9.45%	Sovereign
GOI 2030	7.08%	Sovereign
GOI 2041	4.25%	Sovereign
GOI 2025	4.01%	Sovereign
Others	0.15%	
Corporate Bonds	**60.33%**	
LIC Housing Finance Company Ltd	7.39%	AAA
Reliance Ports And Terminals Ltd	7.12%	AAA
IL&FS	6.97%	AAA
TATA Sons Ltd	6.72%	AAA
SAIL	6.72%	AAA
Gail (India) Ltd	6.61%	AAA
Power Finance Corporation Ltd	4.70%	AAA
Reliance Gas Transport Infrastructure	4.10%	AAA
HDFC	3.97%	AAA
Reliance Industries Ltd	3.91%	AAA
Power Grid Corporation Ltd	2.13%	AAA
Cash And Money Market	**3.98%**	
Total	**100.00%**	

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

ASSET ALLOCATION



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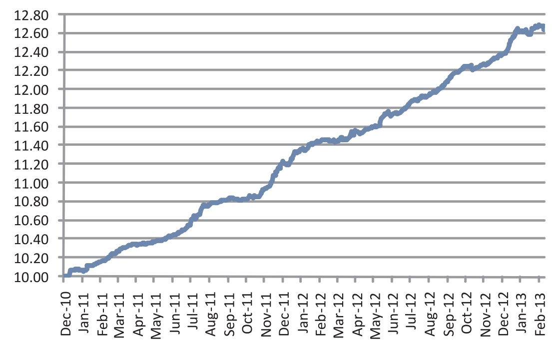
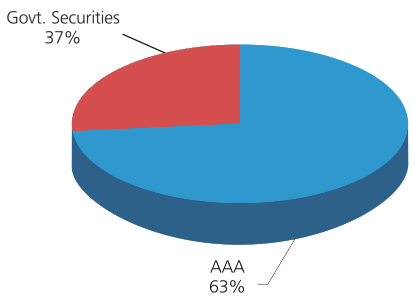


(Date of inception: 20-December-2010)

CREDIT RATING OF DEBT PORTFOLIO



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