Met Invest

Gratuity Fund

Quarterly Fund Performance

October 2013 Edition

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

FUND PERFORMANCE

MARKET OVERVIEW

FUND CATEGORY

- Gratuity Balanced Fund
- Gratuity Debt Fund

As on September 30, 2013

	Benchmark (BM)	1 - Year (%)		2 - Year (%)		3 - Year (%)	
		Fund	BM	Fund	BM	Fund	BM
Medium Risk							
Gratuity Balanced	70% CCBFI 30% CNX NIFTY	1.3	2.6	7.3	6.8	4.7	3.9
Low Risk							
Gratuity Debt	CRISIL Composite Bond Fund Index	2.2	3.5	7.1	6.5	NA	NA

CCBFI- CRISIL Composite Bond Fund Index

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Indicators	Sep-13	Jun-13	Q-o-Q Variation
Macro Economy			
Wholesale Price Index (WPI) Inflation (%)	6.5	5.2	1.3
Consumer Price Index (CPI) Inflation (%)	9.8	9.9	-0.1
Index of Industrial Production (IIP) (%)(Aug 13)	0.6	-1.8	2.4
Forex reserves (USD bn)	277	282	-1.8%
Domestic Markets			
Sensex	19380	19396	-0.1%
Nifty	5735	5842	-1.8%
10-year G-Sec India (%)	8.8	7.5	1.3
10-year AAA Corporate Bond (%)	10.0	8.6	1.4
5-year G-Sec India (%)	8.8	7.7	1.1
5-year AAA Corporate Bond (%)	9.9	8.7	1.2
1-year T-Bill (%)	9.0	7.5	1.5
1-year CD (%)	9.6	8.2	1.4
Exchange rate (INR/USD)	62.6	59.4	5.4%
Global Markets			
Dow Jones (U.S.)	15130	14910	1.5%
FTSE (U.K.)	6462	6215	4.0%
DAX (Germany)	8594	7959	8.0%
SSE Composite (China)	2175	1979	9.9%
Nikkei (Japan)	14456	13677	5.7%
Bovespa (Brazil)	52338	47457	10.3%
US 10-year Treasury Yield (%)	2.6	2.5	0.1
Brent crude Oil ($ per Barrel)	110	102	7.8%

Source- Bloomberg, Reuters, RBI

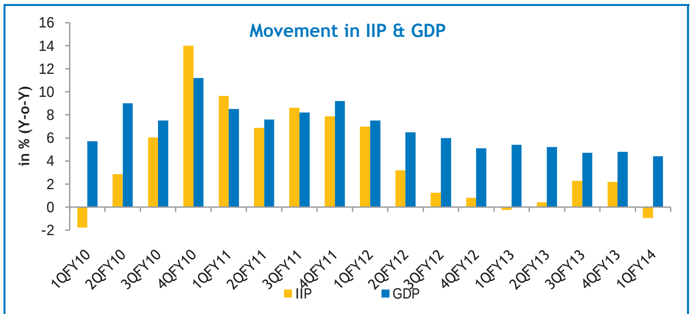
Economy

The Current Account Deficit (CAD) in June quarter of 2013-14 stood at $21.8 billion (4.9% GDP) compared to $16.9 billion (4.0% of GDP) in June quarter of previous financial year. High imports of gold and oil were largely responsible for worsening of trade deficit during the quarter. This coupled with a slow recovery in net invisibles (income and services), resulted in sharp widening of CAD. In order to curb current account deficit and reduce pressure on domestic currency, the government announced various measures. Some of the important measures include issuance of FCNR (B) Bonds, US Dollar swap windows for Oil Marketing companies and restriction on gold imports, etc.

India's fiscal deficit stood at Rs. 4.05 lakh crore during April-August period, or 74.6% of full-year target. With an aim to adhere to the fiscal deficit target, the Government announced a slew of austerity measures as well as a cut in non-plan expenditure.

The Indian economy recorded a GDP growth of 4.4% for the quarter (Apr-June13), slowest in the last four years, against the last quarter growth of 4.8%. Persistently high inflation, high current account deficit, weakening currency and slowing pace of reforms are primarily responsible for growth slowdown. The Index of Industrial Production (IIP), a gauge for industrial and manufacturing growth, continued to show sluggish growth in industrial demand.

The Wholesale Price Index-based inflation rose in September as food inflation surged to 18.4% against 18.2% in the previous month. Although retail inflation (CPI) remained flat in September compared to August, increase in prices was also triggered by a depreciating rupee, as imports became costly adversely affecting domestic prices.



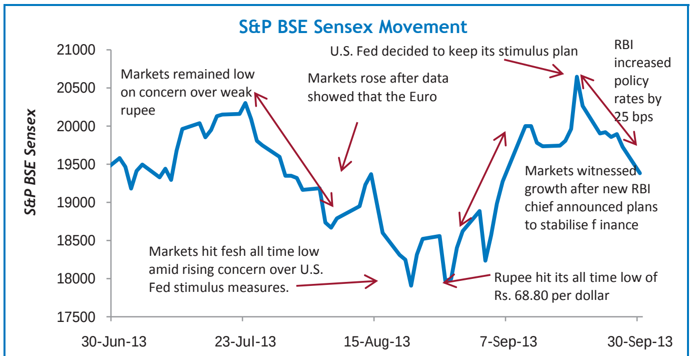
Source: Office of Economic Advisory, MOSPI

Equity Markets

Indian equity markets were highly volatile during the quarter. Markets fell in July and August on the back of a series of liquidity tightening measures announced by RBI to stem rupee depreciation and fears of capital outflow(if the US Federal Reserve reversed its loose monetary policy stance). However, both equities and rupee staged a sharp recovery in September post the series of announcements made by the new RBI Governor aimed at stabilizing liquidity conditions and reducing rupee volatility. This coupled with US Federal Reserve's decision to continue with loose monetary policy stance and encouraging economic data from the Eurozone and China led to a strong global equity market rally.

The Fed's decision to leave bond-buying program unchanged provided another trigger for a rally in markets. The quarter gone by has also underlined challenges faced by emerging market economies.

The recent increases in advanced economy interest rates and asset price volatility, combined with weaker domestic activity have led to



Source: bseindia.com, MFI explorer

Glossary

some capital outflows, equity price decline, rising local yields, and currency depreciation.

Sectoral Performance

The IT (Information Technology) sector outperformed the markets, driven by currency tailwinds coupled with strong earnings results for the previous quarter. The rate sensitive sectors such as Realty and Banks remained major laggards during the quarter dragged down by RBI's liquidity tightening measures. The Capital Goods companies witnessed a huge sell-off on concerns that economic downturn may lead to a fall in fresh order inflows and hit earnings going forward. Companies from the Oil and Gas sector also witnessed significant selling as a weak rupee raised concerns about higher cost of oil imports.

Equity Market Outlook

From a global standpoint, the timing of Fed's tapering of stimulus measures and continuity of encouraging economic data from advanced economies and China will hold the key for equity markets.

Domestically, market participants will closely track the July-September quarter corporate earnings. The steps taken by government to improve the fiscal condition and bottoming out of industrial and economic growth may provide an uptick to equity market going forward. We maintain our positive stance towards equities from a medium to long term perspective.

Fixed Income Market

Fixed Income markets were negative for the quarter ending September 2013. The 10- year G-Sec Benchmark yield rose to 8.8% as of September end, compared to its previous quarter's close of 7.5%.

There was a sharp depreciation in the rupee which prompted RBI to undertake extraordinary liquidity tightening measures. The key reasons for fall in rupee were on account of worsening current account deficit and global concerns of US Federal reserve commencing the withdrawal of monetary stimulus.

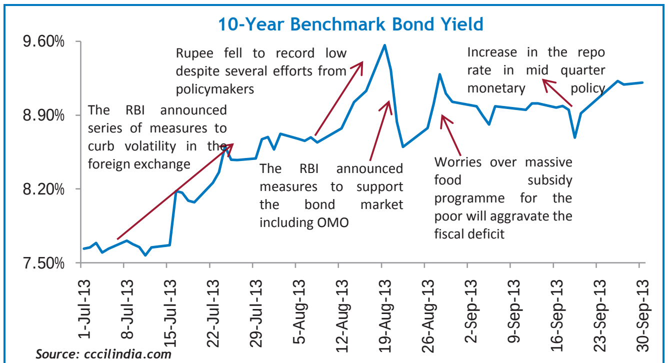
RBI in two swift measures in mid-July raised the Bank Rate and Marginal Standing Facility rate, restricted banks' daily borrowing under the Repo window and announced open market sale of securities. In addition, the Central Bank tightened requirement for maintaining cash reserve ratio by banks. RBI also opened a forex swap window for oil marketing companies and a swap window for attracting FCNR (B) dollar funds. The central government also announced measures restricting import of gold and hiking import duties on non-essential items. Both these measures by RBI and the government helped in curbing volatility of the rupee.

Post the announcement in September, that US Federal Reserve would continue stimulus for some more time, RBI in its Mid-Quarter policy review, increased the repo rate by 25 bps to 7.50%. The RBI reduced Marginal Standing Facility (MSF) rate by 75 basis points from 10.25% to 9.50%. The move was aimed at easing the exceptional measures introduced in July.

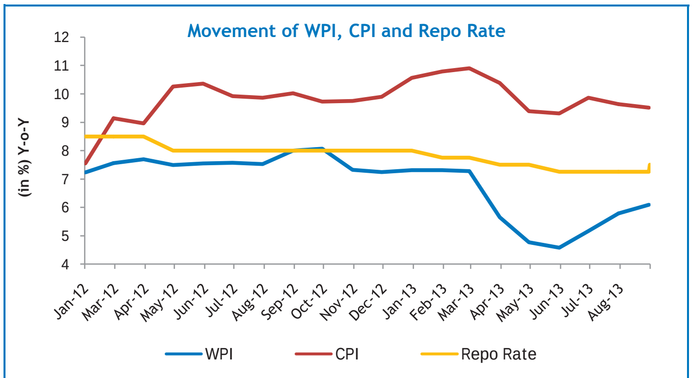
The WPI inflation inched upto 6.5% Y-o-Y for the month of September which was primarily on account of food prices. CPI inflation was flattish and continued increases in food prices are likely to exert upward pressure on the same. As RBI is concerned with price stability, policy rates are expected to remain elevated in the near term.

The real GDP growth on Y-o-Y came at 4.4% for June quarter, which was amongst the lowest in four years. Index of Industrial Production (IIP) growth for Aug 13 negatively surprised at 0.6% which was below market expectation. Overall, both data points were weak which suggests weak demand in the economy.

The Current Account deficit stood at 4.9% for the June quarter. The curbs on imports on gold are expected to improve the situation going forward. Although fiscal deficit was high for the June quarter, Government appears confident of meeting the full year FY14 target of 4.8% of GDP.



Source: cccilindia.com



Source: Office of Economic Advisory, MOSPI

Fixed Income Market Outlook

While further rate hikes cannot be ruled out, the pace may be more calibrated than aggressive going forward. RBI actions would be a function of the trajectory of WPI and CPI inflation, currency stability and economic growth. Owing to factors mentioned above, fixed income market may remain range bound in the near term.

Glossary

As on September 30 2013

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

Investment Objective: To generate capital appreciation and current income, through a judicious mix of investments in equities and fixed income securities.

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

as on September 30 2013

Returns	Absolute Return		CAGR Return	
	Last 6 Months	Last 1 Year	Last 3 Years	Since Inception
Portfolio return	-1.0%	1.3%	4.7%	6.9%
Benchmark**	-0.2%	2.6%	3.9%	6.3%

Note: Past returns are not indicative of future performance.

*** Benchmark return has been computed by applying benchmark weightages on CNX Nifty for Equity and CRISIL Composite Bond Fund Index for Debt.*

Asset Allocation Pattern

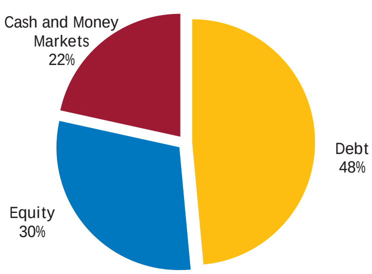
Equity	0% - 30%
Government & Other Debt Securities	0% - 70%

Portfolio Components

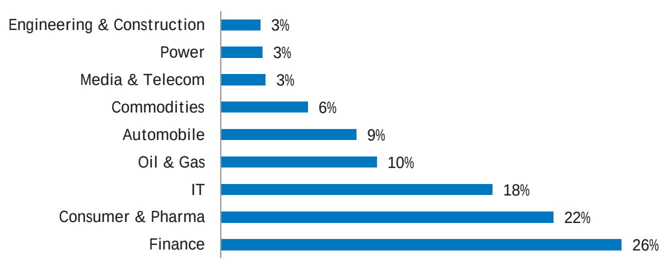
Security	Rating	Net Assets
GOVERNMENT SECURITIES		
8.83% GOI 2041	Sovereign	6.98%
8.3% GOI 2042	Sovereign	6.63%
8.97% GOI 2030	Sovereign	4.77%
TOTAL		**18.37%**
CORPORATE BONDS		
Reliance Gas Transportation Infrastructure Ltd.	AAA	8.56%
G A I L (India) Ltd.	AAA	7.23%
L I C Housing Finance Ltd.	AAA	6.85%
Housing Development Finance Corpn. Ltd.	AAA	3.22%
Tata Sons Ltd.	AAA	2.46%
Power Grid Corpn. Of India Ltd.	AAA	1.83%
TOTAL		**30.15%**
EQUITIES		
I T C Ltd.		3.00%
Infosys Ltd.		2.67%
Housing Development Finance Corpn. Ltd.		1.97%
I C I C I Bank Ltd.		1.93%
H D F C Bank Ltd.		1.85%
Reliance Industries Ltd.		1.80%
Tata Consultancy Services Ltd.		1.51%
Others		15.19%
TOTAL		**29.91%**
CASH AND MONEY MARKETS		**21.56%**
PORTFOLIO TOTAL		**100.00%**

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

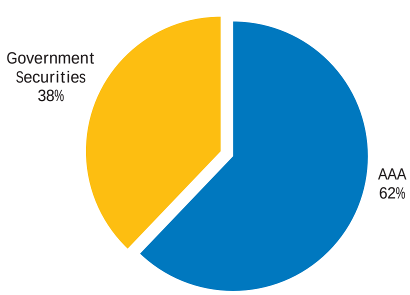
Asset Mix



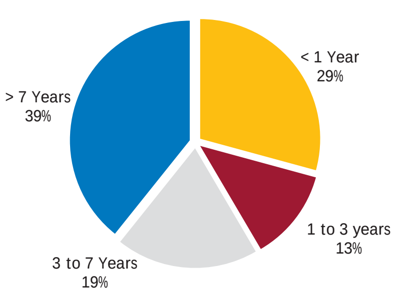
Sector Exposure



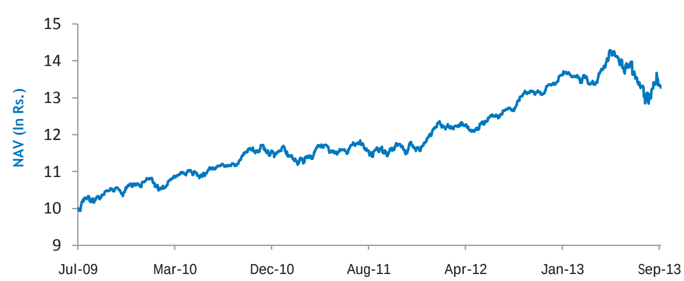
Credit Rating Profile



Maturity by Profile



NAV Movement



Date of Inception: July 7, 2009

As on September 30 2013

Gratuity Debt

SFIN No: ULGF00105/06/04GRADEBTFND117

Investment Objective: To earn regular income by investing in high quality fixed income securities.

Investment Philosophy: The fund would target 100% investments in Government & other debt securities to meet the stated objectives.

Portfolio Return

as on September 30 2013

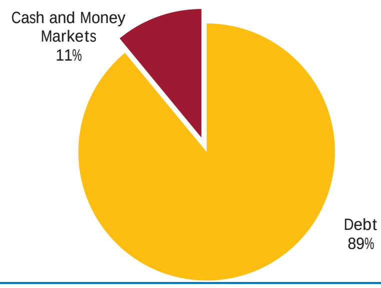
Returns	Absolute Return		CAGR Return
	Last 6 Months	Last 1 Year	Since Inception
Portfolio return	-2.2%	2.2%	8.1%
Benchmark**	-0.7%	3.5%	6.4%

Note: *Past returns are not indicative of future performance.*

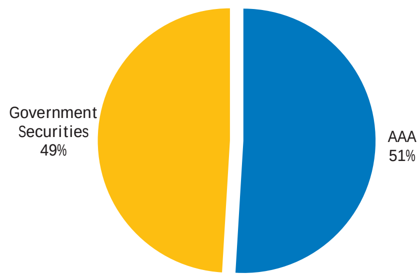
SI - Since Inception

*** Benchmark return has been computed by applying benchmark weightages on CRISIL Composite Bond Fund Index*

Asset Mix



Credit Rating Profile



Asset Allocation Pattern

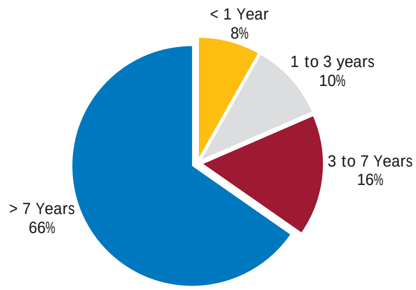
Government & Other Debt Securities	0% - 100%

Portfolio Components

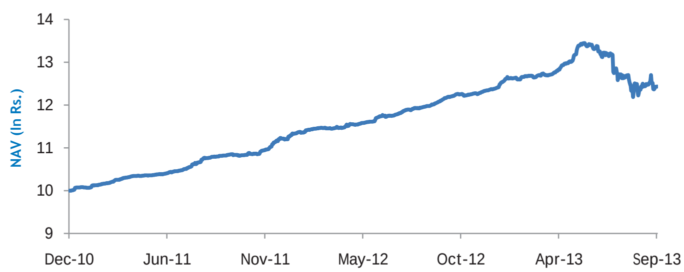
Security	Rating	Net Assets
GOVERNMENT SECURITIES		
7.16% GOI 2023	Sovereign	17.72%
8.33% GOI 2026	Sovereign	12.28%
8.12% GOI 2020	Sovereign	10.43%
8.83% GOI 2041	Sovereign	3.12%
Others		0.11%
TOTAL		**43.66%**
CORPORATE BONDS		
L I C Housing Finance Ltd.	AAA	6.05%
Reliance Ports & Terminals Ltd.	AAA	5.67%
Infrastructure Leasing & Financial Services Ltd.	AAA	5.55%
Steel Authority Of India Ltd.	AAA	5.52%
Tata Sons Ltd.	AAA	5.48%
G A I L (India) Ltd.	AAA	5.39%
Rural Electrification Corpn. Ltd.	AAA	5.17%
Reliance Gas Transportation Infrastructure Ltd.	AAA	3.27%
Housing Development Finance Corpn. Ltd.	AAA	3.25%
TOTAL		**45.36%**
CASH AND MONEY MARKETS		**10.99%**
PORTFOLIO TOTAL		**100.00%**

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

Maturity by Profile



NAV Movement



Date of Inception: December 20, 2010

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Quantitative Indicators

- **Standard Deviation (SD)** - It shows how much the variation or dispersion of a fund's daily returns has from its average. Lesser SD indicates that the daily returns are moving closer to the average. A higher SD indicates that daily returns are widely spread over a large range of value.
- **Beta** – It indicates how the fund is performing relative to its benchmark. If beta of a fund is higher than its benchmark, which is considered 1, it indicates risk-return trade-off is better and vice-versa.
- **Sharpe Ratio** – It measures the risk-reward ratio as it indicates whether higher returns come with higher or lower risk. Greater the ratio, better is the risk-adjusted performance.
- **Average Maturity** – It is the weighted average period of all the maturities of debt securities in the portfolio.
- **Modified Duration (MD)** – It is the measurable change in the value of a security in response to a change in interest rates.
- **Yield To Maturity (YTM)** – It is the expected rate of annual return on a bond if it is held till maturity. The calculation assumed that all interest payments are reinvested at the same rate as the bond's current yield.

Macroeconomic Indicators

- **Gross Domestic Product (GDP) (Quarterly)** - It is the market value of all final goods and services produced within a country. This indicator is used to gauge the health of a country's economy.
- **Fiscal Deficit** – This takes place when India's expenditure rises than its revenue. To fill this gap, the Government raises debt by issuing Government/ sovereign bonds. Fiscal deficit is usually compared with GDP to understand the financial position of the country. Rising fiscal deficit to GDP ratio is not good for the country, which requires immediate attention to cut expenditure and/or increase the source of revenue.
- **Current Account Deficit (Quarterly)** - It is a deficit where India's foreign currency outflows are higher than inflows. This indicates that the country is a net debtor of foreign currency, which increases the pressure on the country's existing foreign currency reserves. Current account surplus is the opposite of this.
- **Index of Industrial Production (IIP) (Monthly)** – The index represents the production growth of various sectors in India. The index focuses on mining, electricity and manufacturing. The ongoing base year for calculation of index is 2004-2005.
- **Wholesale Price Index (WPI) (Monthly)** - The index represents the rate of growth of prices of a representative basket of wholesale goods. The index mainly represents manufacturing (64.97%), primary articles (20.12%) and fuel & power (14.91%).
- **Consumer Price Index (CPI) (Monthly)** - The index represents the rate of growth of price level of a basket of consumer goods and services sold at retail or purchased by households.
- **HSBC Purchasers Managers' Index (PMI) (Monthly)** – Three types of indices – Manufacturing, Services and Composite Index are published on a monthly basis after surveys of private sector companies. An index reading above 50 indicates an overall increase in that variable, while below 50 shows an overall decrease.

Market Indices

- **CNX Nifty Index -** It is a well diversified 50 stock index accounting for 22 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds.
- **CRISIL Composite Bond Fund Index** - It seeks to track the performance of a debt portfolio that includes government securities and AAA/AA rated corporate bonds.

Fixed Income Indicators

- **Repo Rate** - The rate at which the RBI lends money to commercial banks is called repo rate. It is an instrument of monetary policy. Whenever shortage of funds banks has, they can borrow from the RBI.
- **Cash Reserve Ratio (CRR)** - CRR is the amount of funds which the banks need to keep with the RBI. If the RBI decides to increase the CRR, the available amount with the banks comes down. The RBI uses the CRR to drain out excessive money from the system.
- **Marginal Standing Facility (MSF)** - It is a rate at which the RBI provides overnight lending to commercial banks over and above the repo window (repo rate). The interest rate charged is higher than the repo rate and hence it is used when there is considerable shortfall in liquidity.

Others

- **Foreign Currency Non-Resident (Bank) (FCNR (B))** - It is an account that allows non-resident Indian or a person of Indian origin to keep his deposits in foreign currency. Hassles of conversion can be reduced through such types of accounts.
- **Swap** - It is a derivative contract between two parties that occurs at a future date. It is used to hedge risk related to interest rates, currency and commodities movement. The counterparties exchange cash flows, if any, related to the instrument involved in the transaction.

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Compound annual growth rate (CAGR) is rounded to nearest 0.1%

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About Us

PNB MetLife India Insurance Company Limited (PNB MetLife) is a joint venture between MetLife International Holdings Inc. (MIHI), Punjab National Bank Limited (PNB), Jammu & Kashmir Bank Limited (JKB), M. Pallonji and Company Private Limited and other private investors, with MIHI and PNB being the majority shareholders. PNB MetLife was previously known as MetLife India Insurance Company Limited (MetLife India) and has been present in India since 2001.

PNB MetLife brings together the financial strength of a leading global life insurance provider, MetLife, Inc., and the credibility and reliability of PNB, one of India's oldest and leading nationalised banks. The vast distribution reach of PNB together with the global insurance expertise and product range of MetLife makes PNB MetLife a strong and trusted insurance provider.

PNB MetLife is present in over 150 locations across the country and serves customers in more than 7,000 locations through its bank partnerships with PNB, JKB and Karnataka Bank Limited.

PNB MetLife provides a wide range of protection and retirement products through its Agency sales of over 20,000 financial advisors and multiple bank partners, and provides access to Employee Benefit plans for over 800 corporate clients in India. With its headquarters in Bangalore and Corporate Office in Gurgaon, PNB MetLife is one of the fastest growing life insurance companies in the country. The company continues to be consistently profitable and has declared profits for last three Financial Years.

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