



Met Invest

Gratuity Fund

Quarterly Fund Performance

January 2015 Edition



FUND PERFORMANCE



MARKET OVERVIEW

FUND CATEGORY

Gratuity Balanced Fund

Gratuity Debt Fund



As on December 31, 2014

	Benchmark (BM)	1 - Year (%)		2 - Year (%)		3 - Year (%)	
		Fund	BM	Fund	BM	Fund	BM
Medium Risk							
Gratuity Balanced	30% CNX Nifty 70% CCBFI	20.5	19.4	11.2	11.9	12.9	13.1
Low Risk							
Gratuity Debt	CCBFI	13.4	14.3	7.6	8.9	8.7	9.1

CCBFI- CRISIL Composite Bond Fund Index

[Glossary](#)

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October - December 2014

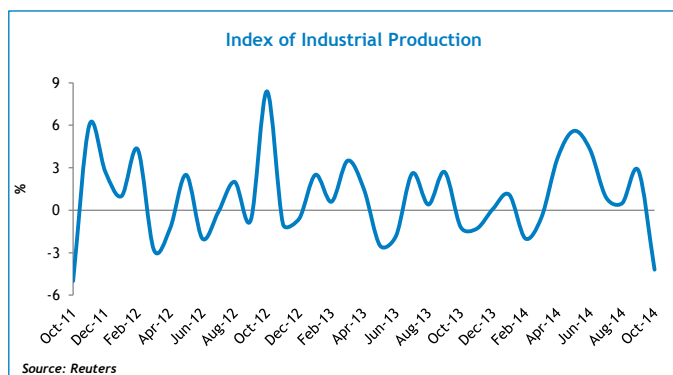
Indicators	Sep-14	Dec-14	Q-o-Q Variation
Macro Economy			
Wholesale Price Index (WPI) Inflation (%)	3.9	0.0	-3.9
Consumer Price Index (CPI) Inflation (%)	7.7	4.4	-3.3
Gross Domestic product (GDP Growth) %	5.7	5.3	-0.4
Index of Industrial Production (IIP) (%)	0.9	-4.2	-5.1
Domestic Markets			
Sensex	26631	27499	3.3%
Nifty	7965	8283	4.0%
10-year G-Sec India (%)	8.5	7.9	-0.6
10-year AAA Corporate Bond (%)	9.2	8.6	-0.6
Exchange rate (USD/INR)	61.6	63.3	2.8%
Global Markets			
Dow Jones (U.S.)	17043	17823	4.6%
FTSE (U.K.)	6623	6566	-0.9%
SSE Composite (China)	2364	3235	36.8%
Brent crude oil (USD/barrel)	94	55	-41.3%

Source: Reuters, CCIL, MFI explorer

Economy

During the quarter, the Government fast tracked a series of reform measures by passing crucial bills through the ordinance route. The Reserve Bank of India's (RBI) monetary policy stance remained neutral; however, the tone was dovish. Overall, macroeconomic data indicated a positive trend as GDP growth remained above 5% in September quarter and inflation continued to decline. However, concerns regarding growth of manufacturing sector remained.

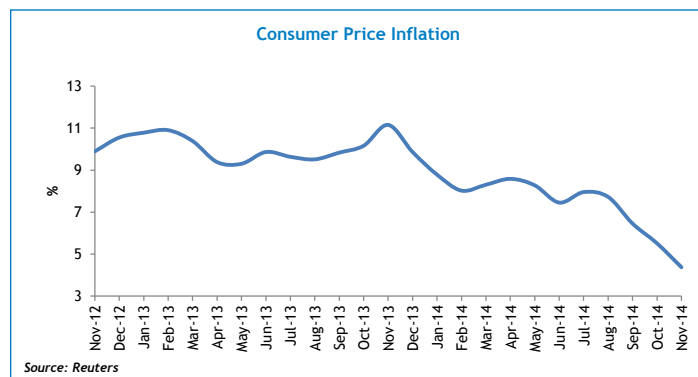
Major Reforms: The Government has issued an ordinance regarding Insurance sector, land Acquisition Bills and coal auctions. The Union Cabinet gave its nod to the long-awaited Goods and Services Tax (GST). The move has cleared the way for its introduction in Parliament to bring about tax reforms.



Macroeconomic Developments: India's GDP growth for the September quarter slowed to 5.3% from 5.7% in the previous quarter, primarily led by fall in the manufacturing sector. The Index of Industrial Production (IIP) in October fell sharply to -4.2% compared to 2.5% growth in September due to decline in manufacturing output.

Monetary Policy: The Reserve Bank of India (RBI) kept interest rates unchanged at 8% for the fifth time in a row. However, it gave indications that it may consider reducing rates if the decline in inflation is sustainable. The next monetary policy due early next month is expected to provide clarity on the Central Bank's policy stance.

Inflation: The Wholesale Price Index (WPI) inflation for November plunged sharply to a 66-month low of 0.0% compared to 1.8% in October, due to a steep decline in the prices of food, fuel and manufactured items as well as due to the base effect. Consumer Price Index (CPI) inflation eased to a record low of 4.4% in November from 5.5% in October. The Government lowered prices on petroleum products following the steep fall in international crude oil prices.



Current Account Deficit (CAD): The CAD for second quarter of the current financial year increased to 2.1% of GDP from 1.7% in the previous quarter. The CAD widened on account of higher trade deficit and gold imports. Nevertheless, the CAD is within Reserve Bank of India's (RBI) comfort zone of 2.5% of GDP.

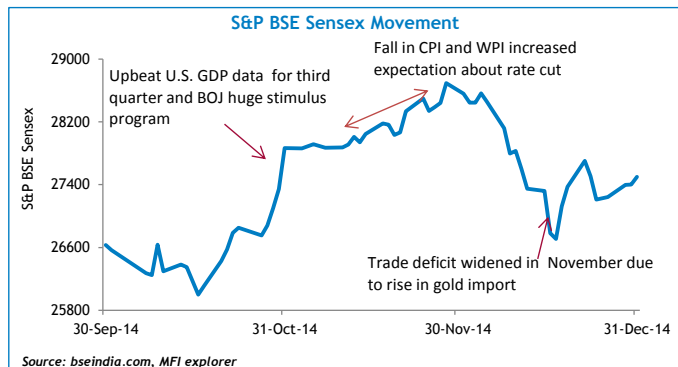
Equity Markets

Indian equity markets scaled new highs during the quarter with Sensex and Nifty surpassing the 28,000 and 8,600 level respectively. The series of reforms measures announced by the Government boosted investor sentiments.

Markets rose initially as investors welcomed the outcome of assembly elections in Maharashtra and Haryana. The policy announcements regarding investment norms in real estate, insurance sector, land acquisition and GST bill boosted market sentiments. Fall in international crude oil prices also supported equity markets.



October - December 2014



However, concern on global growth and developments in Eurozone later in the quarter erased most of the gains. The widening of Current Account Deficit in the second quarter and decline in industrial production also dampened market sentiments.

Crude oil continued on its downward trajectory, falling by a sharp 18% in December to more than five year lows of \$57.3/bbl as OPEC refused to cut production. Sharply falling crude prices in turn weighed negatively on the currencies and stock markets of oil-exporting countries such as Russia, Brazil and South Africa. In fact, Russia saw a potential rating downgrade warning from S&P to 'junk' in early-2015 amid a rapidly deteriorating economy.

Equity Market Outlook

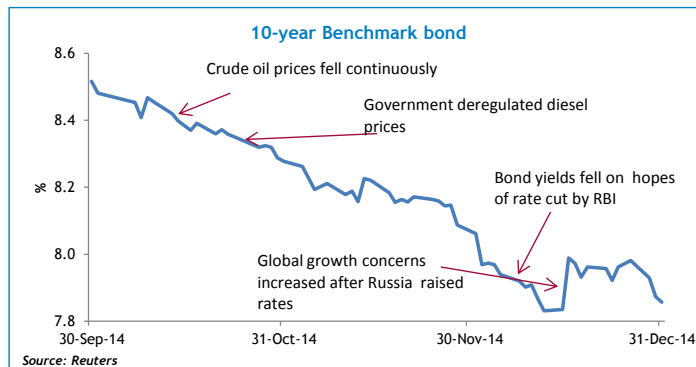
On the domestic front, the most important event is the Union Budget which is expected to provide a roadmap for fiscal consolidation along with key policy reforms such as GST. Investors expect the budget to be a vision document clearly spelling out the Government's strategy over the next few years. Investors keenly await the Q3 FY15 results of Corporate India.

Investors will track the movement of crude oil prices and global economic growth. Market participants will also focus on the global markets, currency movement and emerging market inflows / outflows. The trend of strengthening of USD will be an important factor impacting fund inflows / outflows globally.

In the medium to long term, we continue to remain positive on Equity markets, primarily based on the expectations of growth in corporate earnings and potential of re-rating of Price to Earnings (PE) multiple.

Fixed Income Market

During the quarter, Government bond yields fell to 7.9% compared to the previous quarter's close of 8.5%. Bond yields softened on account of decline in global crude oil prices and expectations that lower inflationary pressures could pave the way for RBI to cut interest rates. In a positive move, Government deregulated diesel



prices which would ease the fiscal deficit going forward and lower government borrowings.

Bond prices continued with their upward momentum on the back of strong foreign fund inflows into the Indian debt market and positive key macroeconomic indicators.

Although RBI kept interest rates unchanged for the fifth time in a row in its bi-monthly monetary policy review on December 2nd, the downward trend in bond yields continued. The continued fall in global crude oil prices and indications by the U.S. Federal Reserve that it would be 'patient' regarding increasing interest rates also supported market sentiments.

Fixed Income Market Outlook

Market participants will closely track inflation numbers, both WPI and CPI. The key event for the quarter is the RBI monetary policy statement. The movement of the rupee, stance adopted by Foreign Portfolio Investors and developments in the Eurozone will remain in focus. Market participants will also keep a close tab on the outcome of the monetary policies of Central Banks across the globe.

Given the expectations of rate cut by RBI, we expect bond yields to continue to soften. We remain positive on Debt market from medium to long term.

Glossary



As on December 31 2014

SFIN No: ULGF00205/06/04GRABALANCE117

Gratuity Balanced

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

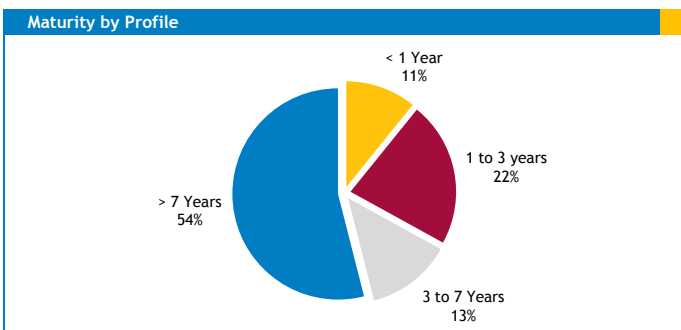
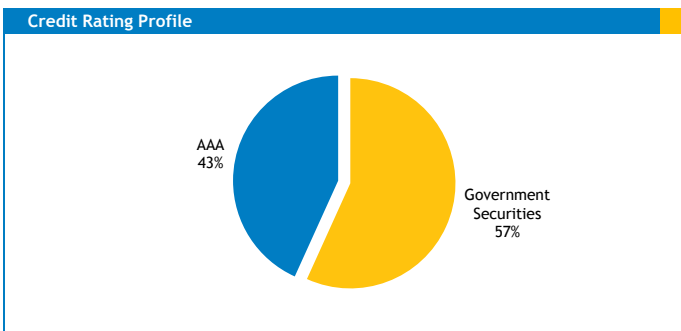
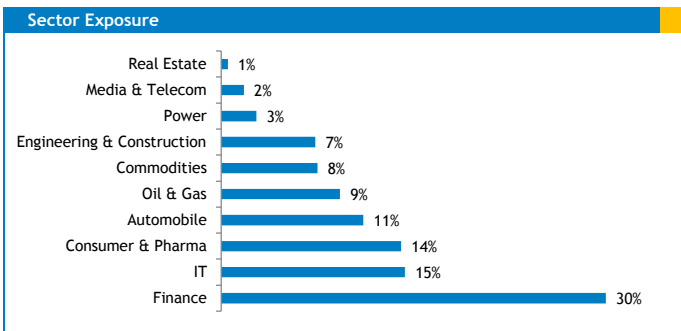
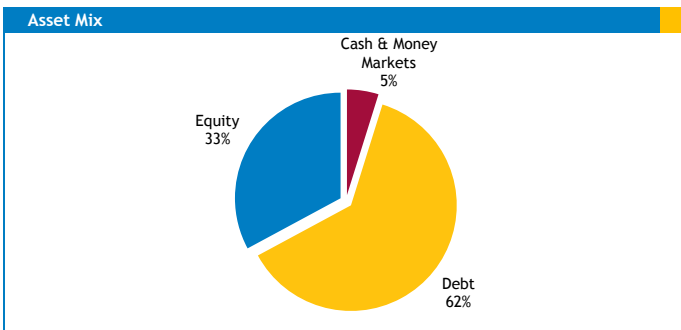
Investment Philosophy: The fund will target 30% investments in Equities and 70% investments in Government & other debt securities to meet the stated objectives.

Portfolio Return as on December 31 2014

Returns	Absolute Return		CAGR Return		
	Last 6 Months	Last 1 Year	Last 3 Years	Last 5 Years	Since Inception
Portfolio return	8.5%	20.5%	12.9%	9.2%	9.7%
Benchmark**	7.8%	19.4%	13.1%	8.4%	9.3%

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 Classes

Equity
Government & Other Debt Securities

Portfolio Components

Security	Rating	Net Assets
GOVERNMENT SECURITY		
8.6% GOI 2028	Sovereign	23.83%
8.28% GOI 2027	Sovereign	11.54%
TOTAL		35.37%
CORPORATE BOND		
RELIANCE GAS TRANSPORT. INFRA.	AAA	8.30%
G A I L (INDIA) LTD.	AAA	6.85%
L I C HOUSING FINANCE LTD.	AAA	6.39%
HOUSING DEVELOPMENT FIN. CORPN.	AAA	3.09%
TATA SONS LTD.	AAA	2.29%
TOTAL		26.94%
EQUITY		
INFOSYS LTD.		2.23%
I C I C I BANK LTD.		2.08%
H D F C BANK LTD.		1.74%
I T C LTD.		1.56%
HOUSING DEVELOPMENT FINANCE CORPN. LTD.		1.45%
RELIANCE INDUSTRIES LTD.		1.40%
TATA CONSULTANCY SERVICES LTD.		1.15%
LARSEN & TOUBRO LTD.		1.05%
TATA MOTORS LTD.		1.04%
Others		19.16%
TOTAL		32.86%
CASH AND MONEY MARKETS		4.83%
PORTFOLIO TOTAL		100.00%

NAV Movement





Gratuity Debt

SFIN No: ULGF00105/06/04GRADEBTFFND117

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.

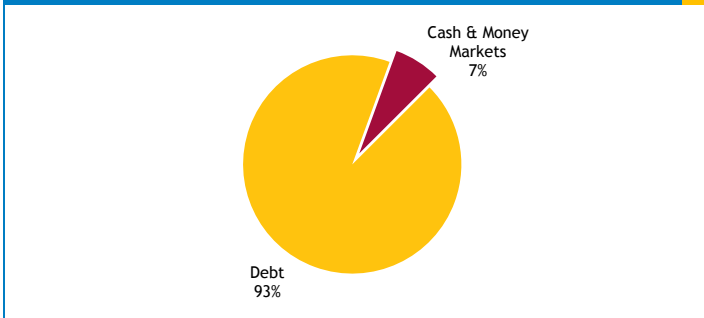
Portfolio Return as on December 31 2014

Returns	Absolute Return		CAGR Return	
	Last 6 Months	Last 1 Year	Last 3 Years	Since Inception
Portfolio return	7.0%	13.4%	8.7%	9.5%
Benchmark**	7.4%	14.3%	9.1%	8.5%

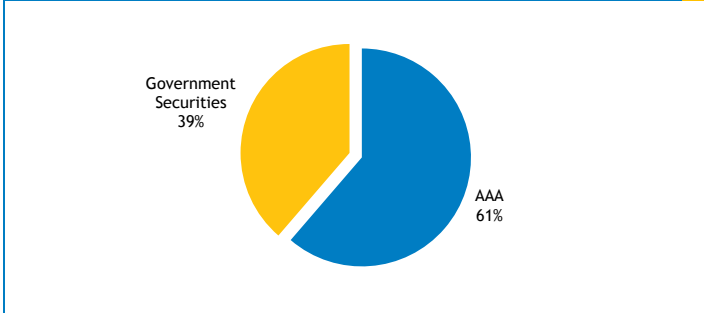
Note: Past returns are not indicative of future performance.

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

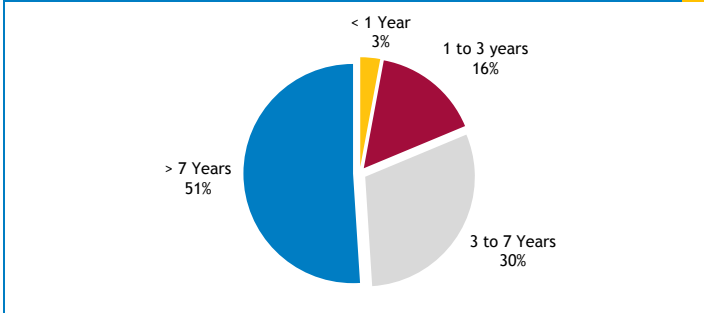
Asset Mix



Credit Rating Profile



Maturity by Profile



Asset Classes

Government & Other Debt Securities

Portfolio Components

Security	Rating	Net Assets
GOVERNMENT SECURITY		
8.60% GOI 2028	Sovereign	9.63%
9.23% GOI 2043	Sovereign	6.49%
9.15% GOI 2024	Sovereign	6.14%
9.14% SDL 2024	Sovereign	6.04%
8.28% GOI 2027	Sovereign	5.83%
8.27% GOI 2020	Sovereign	1.73%
Others		0.13%
TOTAL		35.99%

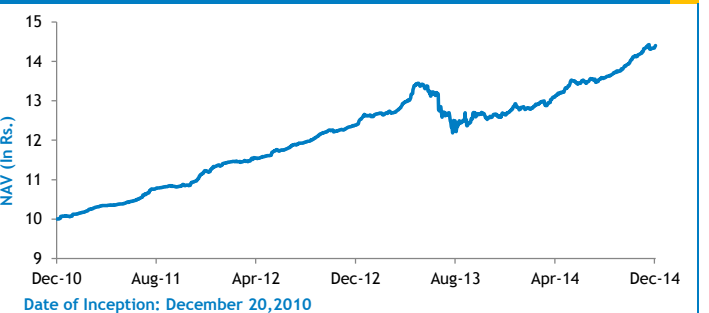
CORPORATE BOND

TATA SONS LTD.	AAA	8.26%
RURAL ELECTRIFICATION CORPN.	AAA	6.91%
L I C HOUSING FINANCE LTD.	AAA	6.38%
RELIANCE PORTS & TERMINALS LTD.	AAA	6.20%
INFRASTRUCTURE LEASING & FIN. SER.	AAA	6.11%
POWER GRID CORPN. OF INDIA LTD.	AAA	5.81%
G A I L (INDIA) LTD.	AAA	5.77%
POWER FINANCE CORPN. LTD.	AAA	5.74%
RELIANCE GAS TRANSPORT. INFRA.	AAA	3.58%
HOUSING DEVELOPMENT FIN. CORPN.	AAA	2.29%
TOTAL		57.05%

CASH AND MONEY MARKETS

PORTFOLIO TOTAL		100.00%
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NAV Movement





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.
- **Statutory Liquidity ratio (SLR)** - In India, commercial banks are required to maintain a certain percentage of their total deposits (net demand and time liabilities) in notified Government securities to ensure safety and liquidity of deposits. This percentage is known as the SLR rate. If the RBI or Central Bank reduces the SLR rate, it means that higher liquidity will be available to banks for their lending activity and vice-versa.

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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About Us



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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.

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