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Met Invest

Gratuity Fund Performance Monthly Fund Update, April '12

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



ECONOMY

Indicators	Mar 2012	Apr 2012	M-o-M Variation
10-year G-Sec India (%)	8.54	8.67	0.13
10 year AAA Corporate Bond (%)	9.51	9.42	-0.09
5 year G-Sec India (%)	8.60	8.49	-0.11
5 year AAA Corporate Bond (%)	9.55	9.41	-0.14
1 year T-Bill (%)	8.38	8.19	-0.19
1 yr CD (%)	10.15	9.77	-0.38
Exchange Rate (USD/INR)	50.88	52.74	3.7%
Forex Reserves (USD Bn)	295	295	0.00
WPI Inflation (%)	6.95	6.89	-0.06
Index of Industrial Production (IIP) (%)	1.1	4.1	3.00
US 10 year Treasury Yield (%)	2.21	1.91	-0.3
Brent Crude Oil (USD/barrel)	122.88	119.47	-2.8%
Sensex	17404	17319	-0.5%
Nifty	5296	5248	-0.9%

Source: RBI WSS & Bloomberg

Fixed Income Market

In the Annual Monetary policy announced in April, the Central Bank reduced Repo rate from 8.5% to 8%. Consequently, the Reverse repo rate stands at 7.0% (Repo rate is the overnight rate at which banks borrow from RBI; Reverse Repo rate is the rate at which banks lend to RBI).

The 50 bps cut in Repo rate was higher than market expectation of 25 bps. CRR (cash reserve ratio) was kept unchanged, as RBI felt that liquidity level in the economy had improved in the recent weeks. However, RBI has mentioned that there was limited room for further easing given upside risks to inflation and the present fiscal situation.

The headline inflation number (WPI, Wholesale Price Index) remained steady at around 6.9%. However, this was higher than consensus expectations of 6.65% (as per Bloomberg survey). While non-food manufactured inflation moderated in March due to high base effect, food inflation accelerated. This offset some of the benefits arising from lower non-food manufactured inflation.

The Index of Industrial Production (IIP) growth

accelerated to 4.1% in February compared to 1.1% in January (revised downwards from 6.8% earlier) and 2.5% in December 2011. The revision of January data was mainly on account of sharp downward revision in numbers of "food products and beverages" and "consumer non-durables".

The long term yields hardened on account of large supply of Government securities, concerns over high crude oil prices and sharp depreciation of the currency. The short term rates declined as a result of reduction in repo rates. The one year CD yields rallied to 9.77% from 10.15% in March. Although RBI continued to infuse liquidity into the system through Open Market Operations (OMO), the net liquidity position in the banking system continued to be tight.

Equity Market

During the month of April, Indian markets posted a lacklustre range bound performance with Nifty index down by 0.9% and Sensex down by 0.5%. Confusion over the General Anti Avoidance Rule (GAAR), proposed in the Union Budget kept FIIs at bay, with a net sell of USD 205 mn in April versus an inflow of USD 1.7 bn in the previous month.

The GDP growth in last two years has declined from 8.3% in December 2010 quarter to 6.1% in December 2011 quarter. S&P lowered its outlook on India's long-term rating from Stable to Negative on the back of slowing growth and deterioration in external and fiscal position. While the long-term sovereign rating has been affirmed at BBB- (India was upgraded from BB+ to BBB- in 2007), S&P has mentioned that the outlook revision indicates "a one-in-three likelihood of a downgrade over the next 24 months".

With a view to boost the sagging economy, the Reserve Bank of India cut rates by a sharp 50 basis points in the Annual Monetary Policy 2012-13. The 50 basis point cut in Repo rate was higher than market expectation of 25 bps. CRR (cash reserve ratio) was kept unchanged, as liquidity level in the economy had improved in recent weeks. RBI stated that there was limited

MARKET OUTLOOK

scope for further rate cut, with inflation likely to remain high.

Global market returns were mixed, with Euro zone risk aversion resurfacing as the Long Term Refinancing Operation (LTRO) by European Central Bank comes towards an end. Government bond yields in Spain touched a new high during the month. Asian markets, by and large, were positive while the US market was flat during the month.

Sectoral Performance

Fast Moving Consumer Goods (FMCG) was the best performing sector in April. The sector did well on the back of strong earnings expectation and high growth visibility. This sector is largely immune to global uncertainties owing to limited exposure to other economies.

The Automobile sector also performed well as monthly sales numbers for March were higher than expected, primarily on the back of pre-budget buying. Contrary to expectation, there was no one time increase in taxes on diesel vehicles in the Union Budget. This was a big relief for the sector and bodes well for the passenger vehicle segment.

The Engineering and Construction sectors underperformed the broader market in April. In the Annual Monetary Policy, RBI mentioned that there was limited room for further rate cut. A higher interest rate environment may make new projects unviable and therefore, hamper industrial recovery.

Results of leading private sector banks were largely in line with expectation. The net interest margins (NIM) were broadly maintained, with an improvement in asset quality for most of the banks. The key concern for banks continues to be the deteriorating economic scenario, which has the potential to impact earnings in the medium term.

Outlook on Fixed Income Market

Given RBI's limited space for monetary policy easing, we expect bond yields to remain under pressure. In addition to this, high supply of

Government Securities in FY13 is also expected to lead to hardening of bond yields. If subsidies are not contained as indicated in the Union Budget, demand pressures may persist, thereby limiting easing of monetary policy.

In our opinion, there are upside risks to inflation emerging from prevailing high crude oil prices and expectation of hike in fuel prices. This is likely to keep inflation higher than RBI's comfort zone. Given the upside risk to inflation, large Government borrowing budgeted for FY12-13, and present fiscal situation, we expect bond yields to remain firm, going forward.

Outlook on Equity Market

After a two-year long monetary tightening cycle, the Central Bank has shifted its stance from controlling inflation to augmenting economic growth. The rate cut is expected to provide an impetus to economic revival. However, factors such as high current account deficit, high budgeted government borrowing, depreciating currency and concerns on the fiscal front remain key risks in the near term.

The recent change in India's long-term rating outlook calls for taking some tough actions on the fiscal front. In our opinion, the government needs to increase revenue buoyancy through accelerating growth and reduce subsidies to achieve fiscal consolidation. This is likely to attract foreign capital, reduce trade deficit and arrest currency depreciation.

The result season which began in April has been satisfactory, by and large. Management commentaries have been sanguine. In our opinion, given the domestic and global macro economic situation, equity markets are likely to remain volatile in the near-term. However, based on current valuations, the Indian market looks attractive from a medium to long-term perspective.

UNIT-LINKED Fund

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 30th April 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	4.5%	3.0%
Last 1 year Return	5.2%	3.2%
CAGR since inception	7.6%	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

Equity
Debt

Benchmark Index

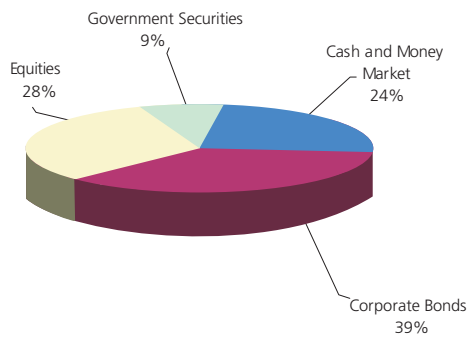
S&P CNX Nifty
CRISIL Composite Bond Fund Index

Gratuity Balanced Portfolio as on 30 Apr 2012

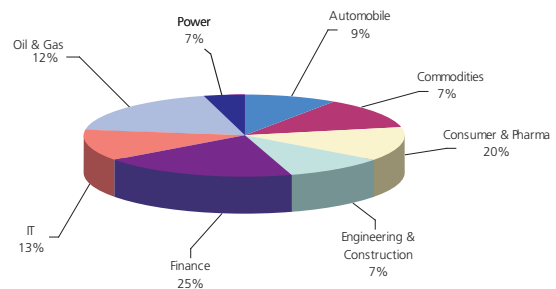
Security Name	Wt	Rating
Government Securities	8.63%	
GOI 2020	7.34%	Sovereign
GOI 2024	1.29%	Sovereign
Corporate Bonds	39.67%	
Reliance Gas Transport Infrastructure	8.92%	AAA
HDFC	7.78%	AAA
IL&FS	7.76%	AAA
TATA Sons Ltd	7.58%	AAA
LIC Housing Finance Company Ltd	4.51%	AAA
Power Grid Corporation Ltd	1.87%	AAA
Power Finance Corporaion Ltd	1.26%	AAA
Equities	28.02%	
ITC Ltd	2.02%	
Infosys Ltd.	1.89%	
Reliance Industries Ltd	1.67%	
HDFC Bank Ltd	1.62%	
ICICI Bank Ltd	1.41%	
HDFC	1.32%	
Tata Consultancy Services Ltd	1.08%	
Larsen & Toubro Ltd	1.03%	
Others	15.98%	
Cash And Money Market	23.67%	
Total	100.00%	

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

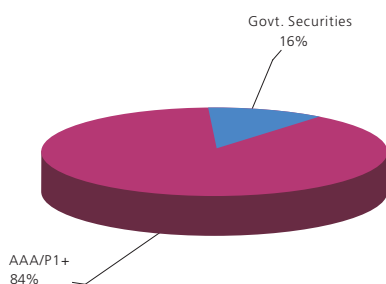
ASSET ALLOCATION



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: ULGF00105/06/04GRADEBTFFND117

As on 30th April 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	6.3%	4.9%
Last 1 year Return	11.5%	8.2%
CAGR since inception	11.1%	7.5%

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

Debt

Benchmark Index

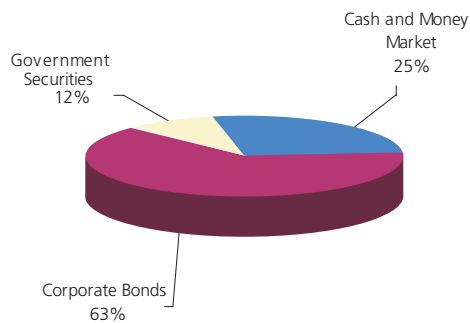
CRISIL Composite Bond Fund Index

Gratuity Debt Portfolio as on 30 Apr 2012

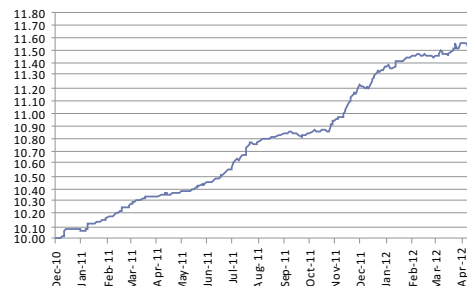
Security Name	Wt	Rating
Government Securities	12.14%	
GOI 2020	7.72%	Sovereign
GOI 2012	4.09%	Sovereign
Others	0.33%	
Corporate Bonds	63.21%	
IL&FS	8.16%	AAA
TATA Sons Ltd	7.96%	AAA
HDFC	7.56%	AAA
LIC Housing Finance Company Ltd	7.19%	AAA
Rural Electrification Corporation Ltd	7.01%	AAA
Power Finance Corporation Ltd	5.56%	AAA
Reliance Gas Transport Infrastructure	4.80%	AAA
Reliance Industries Ltd	4.56%	AAA
SAIL	3.26%	AAA
Tech Mahindra	3.03%	AAA
Power Grid Corporation Ltd	2.53%	AAA
Reliance Capital Ltd	1.58%	AAA
Cash And Money Market	24.65%	
Total	100.00%	

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

ASSET ALLOCATION

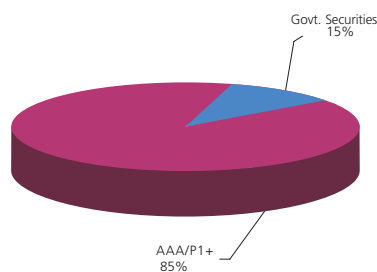


NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)

CREDIT RATING OF DEBT PORTFOLIO



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www.metlife.co.in

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