

# MetLife®

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# Met Invest

## Gratuity Fund Performance Monthly Fund Update, November '12

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



## ECONOMY

Indicators	Sep-12	Oct-12	M-o-M Variation
10-year G-Sec India (%)	8.15	8.22	0.07
10 year AAA Corporate Bond (%)	8.97	9.00	0.03
5 year G-Sec India (%)	8.18	8.18	0.00
5 year AAA Corporate Bond (%)	8.95	8.99	0.04
1 year T-Bill (%)	7.99	8.02	0.03
1 yr CD (%)	8.92	8.63	-0.29
Exchange Rate (USD/INR)	52.86	53.81	1.80%
Forex Reserves (USD Bn)	295	295	0.00
WPI Inflation (%)	7.55	7.81	0.26
Index of Industrial Production (IIP) (%)	0.10	2.70	2.60
US 10 year Treasury Yield (%)	1.63	1.69	0.06
Brent Crude Oil (USD/barrel)	112	109	-3.3%
Sensex	18763	18505	-1.37%
Nifty	5703	5620	-1.47%

Source: Bloomberg, Reuters and WSS from RBI

### Economy

In October 2012, the Indian economy continued to face the dual problem of low growth and high inflation. The growth in Index of Industrial Production (IIP) for the month of August 2012 was 2.7%. This was better than consensus estimates of 1.1%.

Inflation, as measured by Wholesale Price Index (WPI), for the month of September 2012 rose to 7.81%. This was slightly above consensus expectation of 7.60%. One of the significant reason for increase in inflation was the hike in diesel prices by Rs 5 per litre. This is expected to push up inflation further in the coming months. However, the core inflation was stable at around 5.6%.

In the second quarter monetary policy of FY12-13 announced on October 30, RBI reduced CRR by 25 bps (from 4.50% to 4.25%) to infuse more liquidity in the system ahead of the busy season. However, the Central Bank kept the Repo Rate and Reverse Repo Rate unchanged at 8.00% and 7.00% respectively. RBI stated that it did not cut rates due to high and sticky inflation. However, RBI's policy statement suggests that a repo rate cut is possible (in the coming quarters) when inflation is expected to

ease. The Central Bank has stuck to its stance of managing inflation over growth.

The global economy continued to struggle with low growth numbers and fragile situation in the Euro zone area. The initial reaction to QE III (quantitative easing III) had resulted in buying interest in risk assets such as equities and commodities. However, these asset classes struggled in October as there was no further positive triggers globally.

### Equity Market

The month of October was largely a non-event for equity investors, as markets consolidated after a strong rally in September. On the domestic front, RBI's credit policy and beginning of September quarter earnings season were the key events. The major policy reforms announced this month included allowing 49% FDI in Insurance and Pension sectors and clearance of the Companies' bill. Both these proposals require Parliamentary approval.

Globally, equity markets remained tepid ahead of US Presidential elections due in early November and mixed set of economic data from China. Amongst developed markets, US declined by 2% while UK, Japan and Germany rose by 1% each. Emerging markets underperformed and almost all markets ended negative. India fell by 2% while China, Brazil and Russia declined by 1%, 4% and 3% respectively.

Commodities also witnessed profit booking primarily in crude oil and industrial metals. Crude oil prices fell by 3% while Zinc, Aluminum and Copper fell by 11%, 10% and 5% respectively.

FII flows continued to be positive in October with a net inflow of USD 2.2 bn.

### Sectoral Performance

The Fast Moving Consumer Goods Sector (FMCG) outperformed the market on back of strong set of results and encouraging management commentaries regarding demand environment and profitability. The results announced so far have been good and companies expect this strong momentum to continue in coming quarters.

# MARKET OUTLOOK

The Pharmaceutical sector too outperformed, as domestic monthly sales numbers were strong and quarterly results of many companies were above expectations. Investors increasingly returned to the sector leading to its out performance in October.

The Information Technology (IT) sector witnessed profit booking and underperformed market on the back of mixed set of results and concern on demand environment. The appreciating currency and fragile economic situation in the Euro Zone were key medium term concerns for the sector.

The infrastructure and power sector underperformed with quite a few companies witnessing a sharp sell off towards end of the month, on account of no rate cut from RBI. A falling interest rate scenario will significantly benefit these companies by way of better working capital management cycle. In addition to this, the viability of projects will improve over the long term, as most of these companies have high debt component. Recent allegations of malpractices by some promoters and their nexus with politicians have led to negative sentiment for these sectors.

The Oil and Gas sector underperformed during the month owing to concerns regarding a possible increase in cap on subsidized cylinders by the new Oil Minister. This move would negate the benefit of lower under-recoveries for downstream companies in Oil and Gas sector.

## Equity Market Outlook

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The Indian equity markets have remained buoyant over the last few months primarily due to government's reforms initiative and global rally in equity markets. The corporate quarterly results have, by and large, met investors' expectations.

We have seen a positive change in sentiment in corporate sector with the government's focus on economic reforms. This was evident from the upbeat management commentaries post announcement of corporate results.

In the near term, investors would focus on the

US Presidential elections and winter session of Parliament. The upcoming Parliament session is a crucial one, as it will show the government's resolve to push through reforms.

We expect markets to remain volatile in the coming months. However, investors should not get perturbed with short term market volatility. In our opinion, Indian equity markets appear reasonably attractive from a medium to long term perspective.

## Outlook on Fixed Income Market

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The Government securities market was range bound in October. The market sentiment was positive at beginning of the month primarily led by government's reforms agenda, which has the potential to remove the falling economic growth trajectory and reduce the country's fiscal deficit. Market remained steady during the month despite WPI inflation coming higher than last month, as participants remained hopeful of RBI reducing key policy rates to complement the steps taken by Central government.

However, while RBI reduced CRR, it did not reduce policy rates citing high inflation as the primary reason. Nevertheless, RBI stated that as inflation was expected to moderate in Jan-Mar 2013 quarter, there was a reasonable likelihood of further easing of monetary policy around that time.

Therefore, going forward, we expect yields in the Government securities market to remain range bound, as RBI is unlikely to reduce rates till the next quarterly policy scheduled in January 2013.

However, if the stress on liquidity becomes severe, we expect RBI to conduct Open Market Operations, which would be positive for bond yields. We believe that if Government continues with the reforms agenda, it would have a positive impact on the debt market. Over the medium term horizon, rates are likely to soften as RBI is expected to reduce policy rates to support faltering growth.

# UNIT-LINKED Fund

## Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

### As on 31st Oct 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	6.6%	5.3%
Last 1 year return	11.4%	8.5%
Last 3 year (CAGR)	8.0%	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

Equity  
Debt

### Benchmark Index

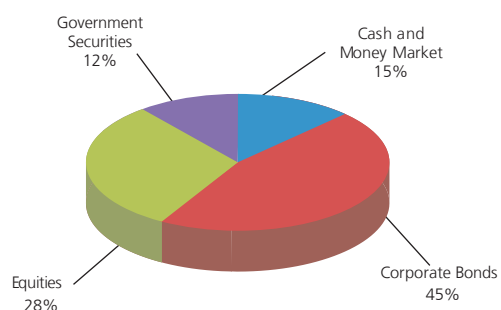
S&P CNX Nifty  
CRISIL Composite Bond Fund Index

### Gratuity Balanced Portfolio as on 31st Oct 2012

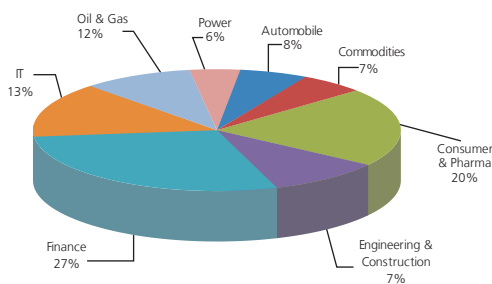
Security Name	Wt	Rating
<b>Government Securities</b>	<b>12.31%</b>	
GOI 2021	7.50%	Sovereign
GOI 2036	4.81%	Sovereign
<b>Corporate Bonds</b>	<b>45.29%</b>	
Reliance Gas Transport Infrastructure	8.84%	AAA
IL&FS	7.70%	AAA
Gail (India) Ltd	7.31%	AAA
LIC Housing Finance Company Ltd	6.93%	AAA
Reliance Industries Ltd	4.99%	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
<b>Equities</b>	<b>27.58%</b>	
ITC Ltd	2.17%	
HDFC Bank Ltd	1.84%	
ICICI Bank Ltd	1.79%	
Infosys Ltd.	1.77%	
Reliance Industries Ltd	1.76%	
HDFC	1.60%	
Larsen & Toubro Ltd	1.15%	
Tata Consultancy Services Ltd	1.11%	
Others	14.40%	
<b>Cash And Money Market</b>	<b>14.82%</b>	
<b>Total</b>	<b>100.00%</b>	

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

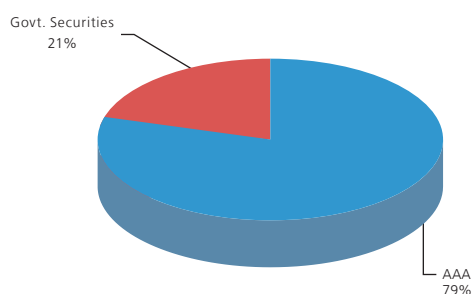
### ASSET ALLOCATION



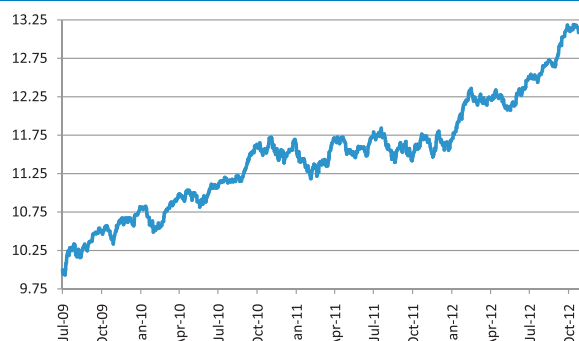
### EQUITY SECTORAL BREAK-UP



### 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 Oct 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	5.8%	4.6%
Last 1 year return	12.5%	9.7%
CAGR since inception	11.3%	8.0%

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

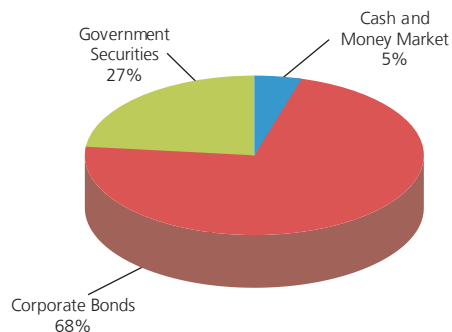
CRISIL Composite Bond Fund Index

### Gratuity Debt Portfolio as on 31st Oct 2012

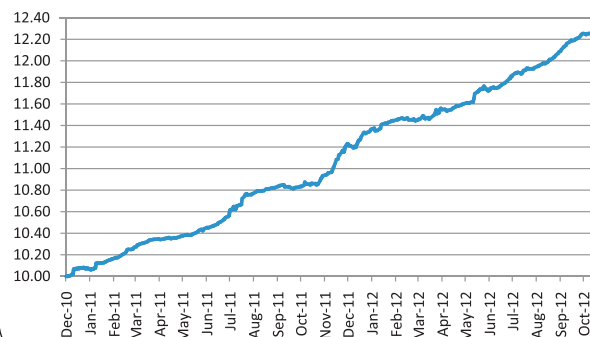
Security Name	Wt	Rating
<b>Government Securities</b>	<b>26.51%</b>	
GOI 2030	7.18%	Sovereign
GOI 2036	6.76%	Sovereign
GOI 2026	4.11%	Sovereign
SDL Maharashtra 2022	4.09%	Sovereign
GOI 2025	4.08%	Sovereign
Others	0.30%	
<b>Corporate Bonds</b>	<b>68.04%</b>	
LIC Housing Finance Company Ltd	7.71%	AAA
Reliance Ports And Terminals Ltd	7.37%	AAA
IL&FS	7.21%	AAA
SAIL	6.98%	AAA
TATA Sons Ltd	6.98%	AAA
Gail (India) Ltd	6.85%	AAA
Reliance Industries Ltd	6.83%	AAA
Power Finance Corporation Ltd	4.88%	AAA
Reliance Gas Transport Infrastructure	4.24%	AAA
HDFC	4.13%	AAA
Tech Mahindra	2.64%	AAA
Power Grid Corporation Ltd	2.22%	AAA
<b>Cash And Money Market</b>	<b>5.45%</b>	
<b>Total</b>	<b>100.00%</b>	

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

### ASSET ALLOCATION

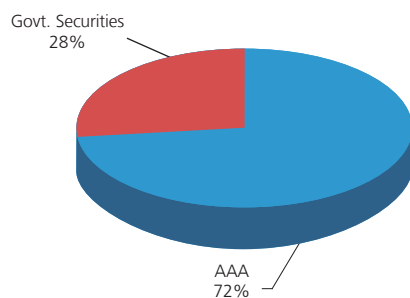


### NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)

### CREDIT RATING OF DEBT PORTFOLIO



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[www.metlife.co.in](http://www.metlife.co.in)

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