

# Met Invest

## Gratuity Fund Performance Monthly Fund Update, July'13

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



## ECONOMY

S.No.	Indicators	May-13	Jun-13	M-o-M Variation
1	10-year G-Sec India (%)	7.25	7.46	0.21
2	10-year AAA Corporate Bond (%)	8.15	8.53	0.38
3	5-year G-Sec India (%)	7.38	7.70	0.32
4	5-year AAA Corporate Bond (%)	8.16	8.56	0.38
5	1-year T-Bill (%)	7.27	7.46	0.19
6	1-year CD (%)	8.33	8.20	-0.13
7	Wholesale Price Index (WPI) Inflation (%)	4.89	4.70	-0.19
8	Consumer Price Index (CPI) Inflation (%)	9.39	9.31	-0.08
9	Index of Industrial Production (IIP) (%)	3.4	2.3	-1.1
10	US 10-year Treasury Yield (%)	2.13	2.48	0.35
11	Exchange rate (USD/INR)	56.51	59.39	5.10%
12	Forex reserves (USD bn)	292	287	-1.71%
13	Brent crude oil (USD/barrel)	100	102.16	2.16%
14	Sensex	19760	19395	-1.85%
15	Nifty	5985	5842	-2.39%

Source: Bloomberg, Reuters

### Economy

The Indian economy witnessed a fall in IIP growth numbers compared to previous month. IIP for the month of April 2013 rose by 2.3% as compared to a growth of 3.4% in March 2013.

WPI inflation for the month of May 2013 came lower at 4.7% compared to consensus expectation of around 4.9%. Lower reading in fuel index, along with lower inflation in manufactured goods brought down WPI inflation significantly. The core inflation came at 2.4%, which was one of the lowest in recent history. The retail inflation, as measured by CPI (consumer price index), moderated further to 9.3% in May.

In its mid-quarter review of monetary policy, RBI kept the policy rate i.e. Repo Rate unchanged at 7.25%. RBI also left CRR (cash reserve ratio) and SLR (statutory liquidity ratio) unchanged.

The US Federal Reserve announced its intentions about reducing the asset purchase program if the economic data, going forward, was in line with their expectation. This resulted in outflows of funds from emerging economies to safer economies. This also led to strengthening of US Dollar against most emerging market currencies.

The Indian Rupee (INR) saw a sharp depreciation during June 2013. Rupee fell from 56.51 (per USD) at the end of previous month to an all-time low of 60.77 before recovering marginally to 59.39 by end of June.

### Equity Markets

The month of June was negative for equity markets. Nifty index fell from 6000 at beginning of the month to 5600 by third week. The main reason for this fall was the sharp depreciation of INR due to a strong US dollar. However, towards end of the month, there was a relief rally globally on the back of news of liquidity creation by the Chinese central bank. The Indian Equity markets bounced back to end the month at 5842 (a fall of 2.4%).

Globally, equity markets saw an adverse movement in June. The US Federal Reserve's indication to reverse monetary stimulus was perceived as a major shift in Fed's usually accommodative policy. The S&P 500 index and Nikkei 225 index fell by 1.5% and 0.7% respectively. However, the fall was much steeper for UK (5.5%) and Germany (4.7%). Emerging markets also saw a sharp sell-off primarily on account of ETF outflows. China fell by 14%, Brazil by 11.3% while Russia by 4.2%.

The fall in Indian market was led by selling from foreign institutional investors. FIIs turned net sellers with an outflow of USD 1.8bn as compared to an inflow of USD 3.8bn in the previous month. This brought down their YTD buying to USD 13.3 bn.

### Sectoral Performance

The Oil sector outperformed during the month as INR depreciation would help the rupee earnings of oil companies due to dollar linked product pricing. Markets also expect positive news from the government regarding gas price hike, which would augment the earnings of upstream oil companies.

The IT sector outperformed the market with returns of 3% during the month, as a weak INR would increase rupee earnings and may lead to

# MARKET OUTLOOK

EPS upgrades. The passing of Immigration Bill in US Senate, however, poses a near term headwind for Indian IT sector.

The Power sector underperformed during the month due to weakening Rupee making coal imports costlier. The early onset of monsoon also reduce the power demand and caused a fall in merchant power rates.

## Equity Market Outlook

The indication of phasing out of US Fed's bond buying program and a slowing Chinese economy remain the two main dampeners for global equity markets. For the near term, the focus may temporarily shift to Europe for the upcoming German elections and impact of austerity measures adopted by peripheral Euro zone economies. Global commodities may remain subdued due to slowdown in China and provide some tailwinds for equities. However, geopolitical strain in MENA (Middle East and North Africa) region may lead to intermittent flaring up of crude oil prices.

From India's perspective, economic growth may gather speed due to continued weakening of global commodity prices, falling inflation and central government's push towards infrastructure spending. Government's stringent measures to curb gold imports and tax evasion would help in improving both fiscal and current account deficit.

Going forward, we expect some initiatives by the Central government for reviving the Indian economy. We maintain our positive stance towards equities from a medium to long term perspective.

## Debt Market and Outlook

Fixed Income markets were quite volatile during June 2013. Markets were range bound during first half of the month. Both IIP and inflation numbers were low, giving rise to hopes of a rate cut. However, statements from RBI officials raising concerns on high current account deficit kept expectations in check. In its mid-quarter review of monetary policy RBI kept rates unchanged, as expected.

During second half of the month, financial markets turned very volatile due to the impact of US Federal Reserve comments regarding tapering of its asset purchase programme.

INR depreciated very sharply by more than 5% during the month and breached the psychological level of INR 60 per USD. Fixed Income markets reacted negatively, given that INR depreciation would have a negative impact on Fiscal Deficit, Current Account Deficit (CAD) as well as inflation. This led to a sharp rise in yields. The yield on 10 year GSec rose from 7.25% to 7.46% while the yield on AAA rated Corporate bonds rose sharply from 8.15% at end of previous month to 8.53% by end of June 2013.

Going forward, weak economic growth and declining inflation may cause RBI to consider reducing policy rates. However, high CAD and a weakening INR remain key risks in the near term.

We expect RBI to reduce rates over the next one or two quarters to support the faltering economic growth. However, the timing and quantum of rate cuts would depend on growth-inflation dynamics, INR movement as well as other macro-economic indicators such as CAD.

# UNIT-LINKED Fund

## Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

As on 30th June 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
<b>Last 6 months return</b>	<b>3.3%</b>	<b>3.6%</b>
<b>Last 1 year return</b>	<b>11.5%</b>	<b>10.7%</b>
<b>Last 3 year (CAGR)</b>	<b>7.8%</b>	<b>6.6%</b>
<b>CAGR since inception</b>	<b>8.6%</b>	<b>7.6%</b>

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

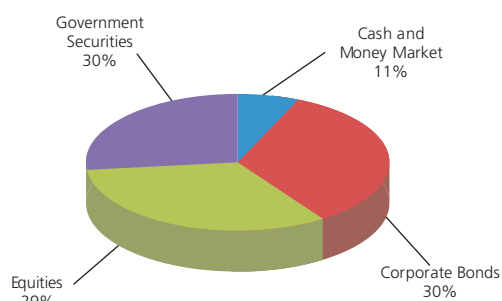
CNX Nifty  
CRISIL Composite Bond Fund Index

Gratuity Balanced  
Portfolio as on 30 June 2013

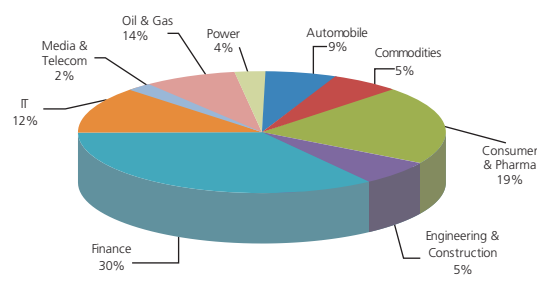
Security Name	Wt	Rating
<b>Government Securities</b>	<b>30.09%</b>	
GOI 2041	7.74%	Sovereign
GOI 2042	7.36%	Sovereign
GOI 2030	5.17%	Sovereign
GOI 2026	4.92%	Sovereign
GOI 2036	4.91%	Sovereign
<b>Corporate Bonds</b>	<b>29.84%</b>	
Reliance Gas Transport Infrastructure	8.70%	AAA
Gail (India) Ltd	7.12%	AAA
LIC Housing Finance Company Ltd	6.69%	AAA
HDFC	3.17%	AAA
TATA Sons Ltd	2.40%	AAA
Power Grid Corporation Ltd	1.76%	AAA
<b>Equities</b>	<b>29.50%</b>	
ITC Ltd	2.65%	
Reliance Industries Ltd	2.41%	
HDFC	1.96%	
ICICI Bank Ltd	1.96%	
HDFC Bank Ltd	1.93%	
Infosys Ltd.	1.86%	
Larsen & Toubro Ltd	1.52%	
Tata Consultancy Services Ltd	1.21%	
Others	14.01%	
<b>Cash And Money Market</b>	<b>10.56%</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**

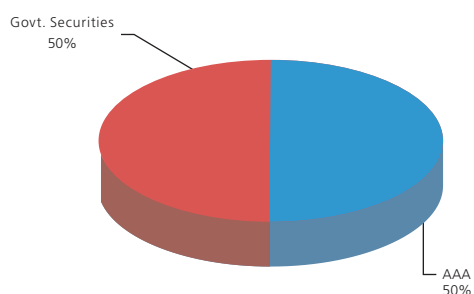
### ASSET ALLOCATION



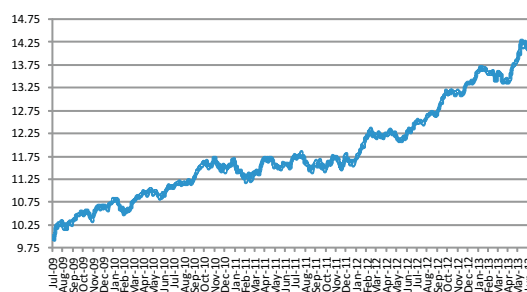
### EQUITY SECTORAL BREAK-UP



### 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 30th June 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
<b>Last 6 months return</b>	<b>6.3%</b>	<b>5.6%</b>
<b>Last 1 year return</b>	<b>12.5%</b>	<b>10.7%</b>
<b>CAGR since inception</b>	<b>11.7%</b>	<b>8.8%</b>

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

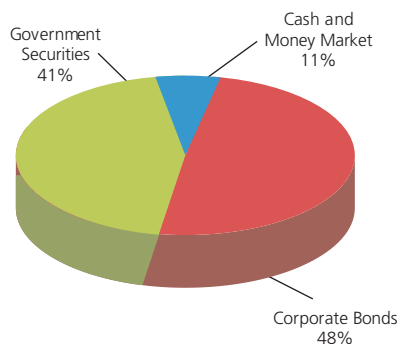
CRISIL Composite Bond Fund Index

Gratuity Debt  
Portfolio as on 30 June 2013

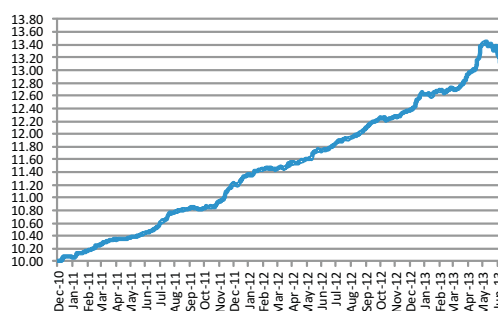
Security Name	Wt	Rating
<b>Government Securities</b>	<b>40.75%</b>	
GOI 2026	28.10%	Sovereign
GOI 2036	8.98%	Sovereign
GOI 2041	3.54%	Sovereign
Others	0.12%	
<b>Corporate Bonds</b>	<b>48.36%</b>	
LIC Housing Finance Company Ltd	6.05%	AAA
Reliance Ports And Terminals Ltd	5.89%	AAA
IL&FS	5.78%	AAA
SAIL	5.50%	AAA
TATA Sons Ltd	5.49%	AAA
Rural Electrification Corporation Ltd	5.43%	AAA
Gail (India) Ltd	5.43%	AAA
Reliance Gas Transport Infrastructure	3.39%	AAA
HDFC	3.25%	AAA
Reliance Industries Ltd	2.15%	AAA
<b>Cash And Money Market</b>	<b>10.89%</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

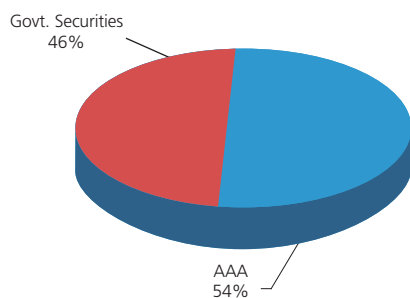


### NAV MOVEMENT SINCE INCEPTION



(Date of inception: 20-December-2010)

### CREDIT RATING OF DEBT PORTFOLIO





PNB MetLife India Insurance Co. Ltd.  
**(Insurance Regulatory and Development Authority,  
Life Insurance Registration No.117)**  
**Registered Office: 'Brigade Seshamahal',  
5 Vani Vilas Road,  
Basavanagudi, Bangalore-560004.**  
**Tel: +91 80-2643 8638.**  
**Toll Free: 1-800-425-6969**  
**www.pnbmetlife.com**

**PNB MetLife India Insurance Co. Ltd.** Insurance is the subject matter of the solicitation. LD/2013-14/138. EC108.

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