

# MetInvest

# **Gratuity Fund Performance** Monthly Fund Update, May'13

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



## ECONOMY

#### ECONOMY

| S.No. | Indicators                        | Mar-13 | Apr-13 | M-o-M<br>Variation |
|-------|-----------------------------------|--------|--------|--------------------|
| 1.    | 10-year G-Sec India (%)           | 7.96   | 7.73   | -0.23              |
| 2.    | 10-year AAA<br>Corporate Bond (%) | 8.86   | 8.52   | -0.34              |
| 3.    | 5-year G-Sec India (%)            | 7.96   | 7.55   | -0.41              |
| 4.    | 5-year AAA<br>Corporate Bond (%)  | 8.85   | 8.48   | -0.37              |
| 5.    | 1-year T-Bill (%)                 | 7.79   | 7.47   | -0.32              |
| 6.    | 1-year CD (%)                     | 8.80   | 8.42   | -0.38              |
| 7.    | WPI Inflation (%)                 | 6.84   | 5.96   | -0.88              |
| 8.    | CPI Inflation (%)                 | 10.91  | 10.39  | -0.52              |
| 9.    | IIP (%)                           | 2.4    | 0.6    | -1.8               |
| 10.   | US 10-Year Treasury<br>Yield (%)  | 1.85   | 1.67   | -0.18              |
| 11.   | Exchange Rate (USD/INR)           | 54.28  | 53.81  | -0.90%             |
| 12.   | Forex Reserves (USD Bn)           | 293    | 296    | 1.20%              |
| 13.   | Brent Crude Oil<br>(USD/barrel)   | 110    | 102    | -7.00%             |
| 14.   | Sensex                            | 18836  | 19504  | 3.50%              |
| 15.   | Nifty                             | 5683   | 5930   | 4.40%              |

Source: Bloomberg, Reuters and WSS from RBI

#### Economy

During the month of April 2013, Indian economy saw deterioration in IIP growth numbers compared to previous month. IIP rose by 0.6%, primarily driven by manufacturing which grew by 2.2%. Mining and Electricity contracted by 8.1% and 3.2% respectively.

Inflation as measured by Wholesale Price Index (WPI) for the month of March 2013 fell to 5.96% as against expectation of 6.4%. Primary articles inflation was lower at 7.6% due to fall in the prices of vegetables. Importantly, core inflation moderated to 3.4% for March 2013 as compared to 3.8% for February 2013.

The recent sharp correction in commodity prices augurs well for the Indian economy. Gold and crude oil, which have been the prime reasons for India's widening current account deficit, corrected by 8% and 7% respectively. This can lead to significant improvement in India's macro-economic conditions.

#### **Equity Market**

The confluence of local as well as global factors led to a strong performance by Indian equities in April. Globally, particularly in some of the developed economies, equity markets are in a positive trajectory led by continuance of expansionary monetary policy and improvement in economic fundamentals such as housing and jobs market data.

However, economic growth in emerging markets has been slowing down largely due to country-specific issues. Commodity prices, which are positively correlated with the growth of emerging economies, have been on a declining trend.

The fall in commodity prices along with significant decline in inflation has fuelled hopes of more rate cuts by RBI. This has improved investors' sentiments toward Indian equity market.

Developed markets continue to out-perform with Japan, France and US rising by 12%, 3% and 2% respectively. Amongst emerging markets, India was an exception with 4.4% gains compared to China, Russia and Brazil which fell by 3%, 3% and 1% respectively. India was the second best performing market amongst all major countries and the best performing in developing market category.

#### **Sectoral Performance**

The Information Technology (IT) sector, which has been a strong out-performer so far, fared poorly owing to bad set of quarterly corporate results from some of the companies. The fear arising from stringent immigration laws which could be imposed by US Government and negatively impact the business model of these companies also played a role in under performance of this sector.

On the back of expected rate cuts, investors moved back into sectors such as Infrastructure and Power. Companies in these sectors benefit significantly from reduction in rates as lower interest rates improves the profitability and free cash generation of these companies. In addition to this, these sectors were trading at attractive valuations.

Banking stocks outperformed the market as most private banks delivered results better than market expectations. Private Banks performed well on the operations front and showed better asset quality by way of lower NPA ratios. Key PSU Banks are expected to declare results in line with market expectations of lower NPAs. PSU Banks are expected to benefit from improved

## MARKET OUTLOOK

performance in stressed sectors arising from upturn in the economy and RBI rate reductions.

#### **Equity Market Outlook**

The global economic environment is evolving in a complex manner. On one hand, interest rates in advanced economies are almost at historical lows and liquidity conditions benign. On the other hand, commodity prices have been falling due to growth concerns in emerging markets.

From India's perspective, weak commodity prices and strong liquidity augurs well. At the macro level, strong investment inflows and declining crude and gold prices helps improve both fiscal and current account deficit. From a company perspective, falling commodity prices helps improve profitability due to reduction in input costs.

Corporate results, announced so far, have been above expectations and management commentaries remain sanguine. Post the strong rally, we expect markets to consolidate. Going forward, developments regarding monsoon will have an important bearing on the market. We continue to maintain a positive stance towards equities from a medium to long term perspective.

#### **Debt Market and Outlook**

Although Government securities market was range bound during first half of the month, it turned bullish in the second half due to lower than expected WPI inflation. Importantly, core inflation declined to a three year low. In addition to this, poor economic growth data also made market hopeful about another rate cut by RBI in its Annual Monetary policy in the beginning of May. As a result, there was strong buying seen in the GSec market and the benchmark 10-year bond closed at 7.73% at end of April 2013 as compared to 7.96% at end of the previous month.

The movement in Corporate bond market was higher than GSec market due to the limited supply. Demand for corporate bonds continued to be strong due to expectation of rate cut by RBI. The yield on 10 year AAA rated bond fell from 8.86% at end of the previous month to around 8.52% by end of April 2013.

In the Money market also, Certificate of Deposit (CD) rates fell due to expected rate cut by RBI as well as expectation of better liquidity. The one year CD rates fell from around 8.80% by end of March 2013 to around 8.42% by end of April 2013.

Going forward, we expect rates to soften over the medium term. RBI is expected to reduce rates over the next few months to support faltering economic growth. However, the timing and quantum of rate cuts would depend on the growth-inflation dynamics in the economy. From the current RBI commentary, it appears that unless inflation continues to be low and stable, the Central Bank may not reduce rates substantially from the current levels.

# UNIT-LINKED Fund

#### **Gratuity Balanced**

#### SFIN No: ULGF00205/06/04GRABALANCE117

#### As on 30th April 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**

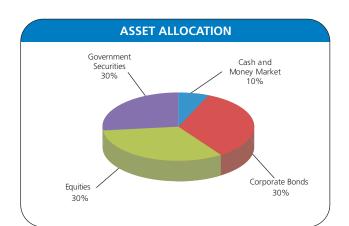
The fund will target 30% investments in Equities and 70% investments in Government & other debt securities to meet the stated objectives.

| Portfolio Return     |       |           |  |  |  |
|----------------------|-------|-----------|--|--|--|
| Returns              | NAV   | Benchmark |  |  |  |
| Last 6 months return | 5.4%  | 5.8%      |  |  |  |
| Last 1 year return   | 12.4% | 11.4%     |  |  |  |
| Last 3 year (CAGR)   | 7.7%  | 6.7%      |  |  |  |
| CAGR since inception | 8.8%  | 7.8%      |  |  |  |

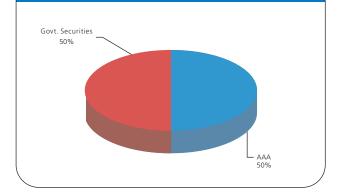
Past performance is not indicative of future performance

**Note:** Benchmark has been calculated as per the target holding of the fund i.e. 30% Equity and 70% Debt Securities

| Security type | Benchmark Index                  |
|---------------|----------------------------------|
| Equity        | CNX Nifty                        |
| Debt          | CRISIL Composite Bond Fund Index |

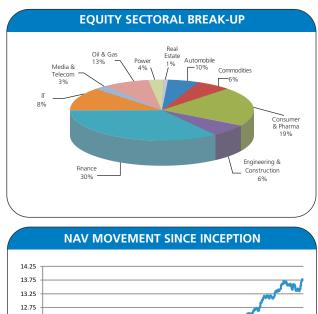


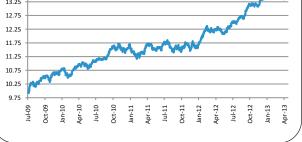
**CREDIT RATING OF DEBT PORTFOLIO** 



| Gratuity Balanced<br>Portfolio as on 30 April 2013 |         |           |  |  |
|--|---------|-----------|--|--|
| Security Name                                      | Wt      | Rating    |  |  |
| Government Securities                              | 30.03%  |           |  |  |
| GOI 2041   | 7.73%   | Sovereign |  |  |
| GOI 2042   | 7.35%   | Sovereign |  |  |
| GOI 2030   | 5.15%   | Sovereign |  |  |
| GOI 2026   | 4.91%   | Sovereign |  |  |
| GOI 2036   | 4.90%   | Sovereign |  |  |
| Corporate Bonds                                    | 30.19%  |           |  |  |
| Reliance Gas Transport Infrastructure              | 8.77%   | AAA       |  |  |
| Gail (India) Ltd                                   | 7.22%   | AAA       |  |  |
| LIC Housing Finance Company Ltd                    | 6.78%   | AAA       |  |  |
| HDFC   | 3.21%   | AAA       |  |  |
| TATA Sons Ltd                                      | 2.43%   | AAA       |  |  |
| Power Grid Corporation Ltd                         | 1.78%   | AAA       |  |  |
| Equities   | 30.25%  |           |  |  |
| ITC Ltd  | 2.56%   |           |  |  |
| ICICI Bank Ltd                                     | 2.16%   |           |  |  |
| Reliance Industries Ltd                            | 2.06%   |           |  |  |
| HDFC Bank Ltd                                      | 1.90%   |           |  |  |
| HDFC   | 1.59%   |           |  |  |
| Larsen & Toubro Ltd                                | 1.27%   |           |  |  |
| Infosys Ltd.                                       | 1.19%   |           |  |  |
| State Bank Of India                                | 1.08%   |           |  |  |
| Others   | 16.46%  |           |  |  |
| Cash And Money Market                              | 9.52%   |           |  |  |
| Total  | 100.00% |           |  |  |

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





(Date of inception: 07-July-2009)

# UNIT-LINKED Fund

#### **Gratuity Debt**

#### SFIN No: ULGF00105/06/04GRADEBTFND117

#### As on 30th April 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 |  |  |  |
| Last 6 months return | 6.5%  | 5.9%      |  |  |  |
| Last 1 year return   | 12.6% | 10.7%     |  |  |  |
| CAGR since inception | 11.8% | 8.8%      |  |  |  |

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

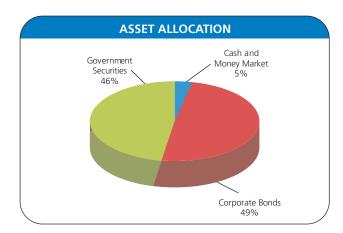
#### Security type Debt

CRISIL Composite Bond Fund Index

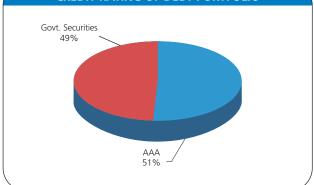
**Benchmark Index** 

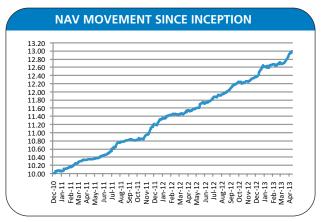


Note: "Others" comprises of combined exposure to securities with less than or equal to 1% weightage in Portfolio



**CREDIT RATING OF DEBT PORTFOLIO** 





(Date of inception: 20-December-2010)



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