

# Met Invest

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

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



## ECONOMY

S. No.	Indicators	Feb 2013	Mar 2013	M-o-M Variation
1.	10-year G-Sec India (%)	7.87	7.96	0.09
2.	10 year AAA Corporate Bond (%)	8.91	8.86	-0.05
3.	5 year G-Sec India (%)	7.94	7.96	0.02
4.	5 year AAA Corporate Bond (%)	8.95	8.85	-0.10
5.	1 year T-Bill (%)	7.91	7.79	-0.12
6.	1 yr CD (%)	9.35	8.8	-0.55
7.	WPI Inflation (%)	6.62	6.84	0.22
8.	CPI Inflation (%)	10.9	10.8	-0.10
9.	Index of Industrial Production (IIP) (%)	-0.5	2.4	2.9
10.	US 10 year Treasury Yield (%)	1.88	1.85	-0.03
11.	Exchange Rate (USD/INR)	54.36	54.28	-0.10%
12.	Forex Reserves (USD Bn)	292	293	0.30%
13.	Brent Crude Oil (USD/barrel)	111	110	-1.20%
14.	Sensex	18862	18836	-0.10%
15.	Nifty	5693	5683	-0.20%

Source: Bloomberg, Reuters and WSS from RBI

### Economy

During the month of March 2013, Indian economy continued to face the problem of low growth as seen from industrial production numbers. Inflation as measured by Wholesale Price Index (WPI) inched up to 6.8% in February as against 6.6% in January. An uptick in fuel prices due to increase in diesel and LPG prices were the main reasons for higher inflation number. However, core inflation moderated to 3.8% as compared to 4.1% during January 2013. The CPI inflation for February was 10.8%, nearly the same as Jan 2013.

As widely expected, the Reserve Bank of India (RBI) reduced repo rates by 25 bps (from 7.75% to 7.50%) in its mid-quarter monetary policy. Accordingly, reverse repo rate which is at a fixed spread of 100 bps lower than repo rate, has been revised to 6.50%. However, RBI gave a somewhat hawkish guidance stating that the room for further monetary easing was limited. The Central Bank raised concerns about high food inflation as well as high current account deficit.

### Equity Market

Indian equity markets turned volatile in March

after DMK, an ally of the UPA government, decided to withdraw its support. Though there does not appear to be any immediate threat to the stability of the government, investors are becoming increasingly nervous about the political uncertainty and continuity of economic reforms. The economic data points continue to show a mixed-bag performance for the economy.

Global equity markets too remained edgy as, around middle of the month, the Euro group reached a preliminary agreement with Cyprus government to bail out the banking system by imposing tax on deposit holders. This came as a shock to investors. However, markets recovered after the final discussions which removed the uniform deposit tax.

Developed markets continue to outperform with US and Japan gaining 4% and 7% respectively, while U.K. and Germany grew by 1% each. The emerging markets continue to remain under pressure on the back of slowing economic growth. China, Russia and Brazil fell by 5.5%, 5% and 2% respectively. After showing significant volatility during the month, the Indian market ended flat. Industrial commodities, which are positively correlated with emerging markets growth, declined during the month with zinc, aluminum and copper declining by 8%, 5% and 4% each.

The FII inflows into Indian market continued to remain positive with inflow of USD 1.7 bn. The cumulative FII inflows for first quarter of CY13 now stand at USD 10.3 bn as compared to USD 25 bn for entire CY12.

### Sectoral Performance

The Automobile sector fell by 4% in March owing to slowing growth across all segments. High inflation, slowing economic growth and bleak outlook are having an adverse impact on consumer sentiment. The two-wheeler segment is witnessing intense competition owing to demand slowdown, while the four-wheeler segment is witnessing demand postponement due to affordability issue. The commercial vehicle segment, which is considered a proxy for economic growth, has also seen increased competition and demand deferment.

# MARKET OUTLOOK

The Power sector underperformed as sector specific reforms were postponed, thereby dampening investor sentiments. New project announcements continued to remain muted during the month. No major power plant or road project saw the light of the day. In addition to this, banks declined to pass on the benefit of rate reduction to corporates, thereby providing no respite to the highly leveraged infrastructure sector.

The Fast Moving Consumer Goods (FMCG) sector outperformed during the month as investors shifted from high beta sectors such as Power, Infrastructure and Real Estate to defensive sectors such as FMCG. This sector also benefits from any pre-election spending by the government.

## Equity Market Outlook

The global economy is showing a divergent trend. On one hand, developed markets such as US and Japan are showing improving economic outlook, while on the other hand emerging markets such as China, India and Brazil have been witnessing economic slowdown.

From India's perspective, in the medium term global investors would focus on the government's ability to push through reforms amid political uncertainty. However, in the near term, corporate earnings season for Q4 FY13 starting mid-April will provide the next trigger for the market. Investors would keenly focus on management commentaries on demand outlook, margin guidance and earnings performance.

The global liquidity conditions remain benign indicated by strong FII inflows. The Indian equity market valuations look attractive and are below the five year average. We remain positive on equities from medium to long term perspective.

## Debt Market and Outlook

Government securities market was bearish during the month of March 2013. While IIP growth was higher than expectation and WPI inflation was a negative surprise, market was supported by the falling core inflation (non-food manufacturing inflation) number which fell

below 4% after a long period. This led to a strong expectation about a possible rate cut by RBI in the upcoming monetary policy. The 10-year benchmark Government security yield fell below 7.85% largely based on these expectations.

As expected, RBI cut rates by 25 bps in the mid-quarter monetary policy. However, it did not give an encouraging guidance about its future course of action. The Central Bank stated that it expected WPI inflation to remain around the current level in coming months. It also stated that high food inflation and high current account deficit were worrying signs for the economy.

As a result, there was a sell-off in the bond market and the 10-year GSec yield increased sharply to around 7.95% in second half of the month. Overall the fixed income market continued to be bearish largely due to hawkish RBI commentary.

Corporate bond yields were supported as there was no issue of impending supply like the Government securities market. The yield on 10-year AAA rated bond was in the range of 8.80-9.0% throughout the month. In the money market, Certificate of Deposit (CD) rates fell sharply due to the rate cut by RBI and expectation of better liquidity from the next month. The one year CD rates fell from around 9.35% at February end to 8.80% by March end.

Going forward, it is expected that RBI would reduce rates over the next few months to support economic growth. However, the timing and quantum of rate cuts would depend on growth-inflation dynamics in the economy. From RBI's commentary, it appears that it may not be able to cut rates significantly from the current levels. Nevertheless, we expect interest rates to soften over the medium term horizon.

# UNIT-LINKED Fund

## Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

### As on 31st March 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	2.4%	2.8%
Last 1 year return	9.7%	8.7%
Last 3 year (CAGR)	7.2%	6.0%
CAGR since inception	8.2%	7.2%

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

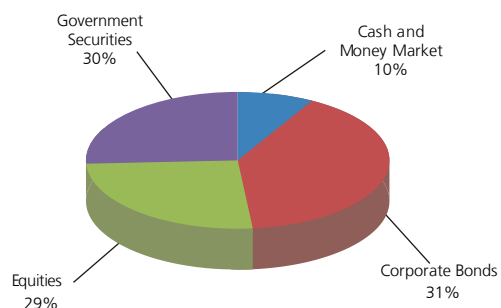
Security type	Benchmark Index
Equity	CNX Nifty
Debt	CRISIL Composite Bond Fund Index

### Gratuity Balanced Portfolio as on 31 March 2013

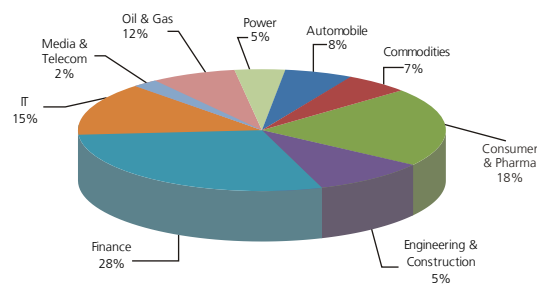
Security Name	Wt	Rating
<b>Government Securities</b>	<b>30.34%</b>	
GOI 2041	7.78%	Sovereign
GOI 2042	7.42%	Sovereign
GOI 2030	5.20%	Sovereign
GOI 2026	4.98%	Sovereign
GOI 2036	4.96%	Sovereign
<b>Corporate Bonds</b>	<b>30.91%</b>	
Reliance Gas Transport Infrastructure	8.93%	AAA
Gail (India) Ltd	7.39%	AAA
LIC Housing Finance Company Ltd	6.96%	AAA
HDFC	3.28%	AAA
TATA Sons Ltd	2.50%	AAA
Power Grid Corporation Ltd	1.84%	AAA
<b>Equities</b>	<b>28.86%</b>	
ITC Ltd	2.32%	
Infosys Ltd.	2.24%	
ICICI Bank Ltd	1.85%	
Reliance Industries Ltd	1.67%	
HDFC Bank Ltd	1.64%	
HDFC	1.60%	
Tata Consultancy Services Ltd	1.16%	
Larsen & Toubro Ltd	1.00%	
Others	15.38%	
<b>Cash And Money Market</b>	<b>9.89%</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

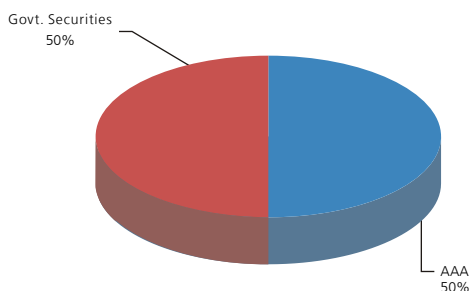
### ASSET ALLOCATION



### 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 March 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	4.5%	4.2%
Last 1 year return	10.9%	9.3%
CAGR since inception	11.1%	8.1%

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

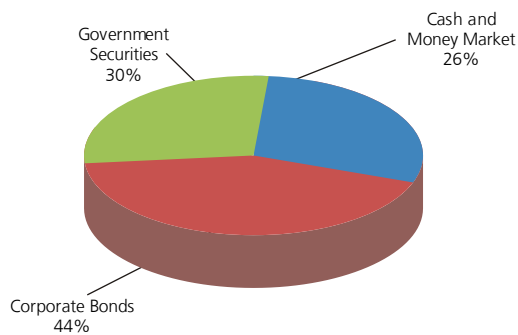
### Gratuity Debt

Portfolio as on 31 March 2013

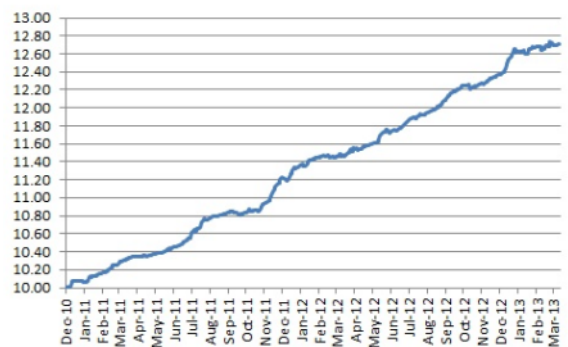
Security Name	Wt	Rating
<b>Government Securities</b>	<b>29.74%</b>	
GOI 2026	17.02%	Sovereign
GOI 2036	9.05%	Sovereign
GOI 2041	3.55%	Sovereign
Others	0.12%	
<b>Corporate Bonds</b>	<b>44.32%</b>	
LIC Housing Finance Company Ltd	6.28%	AAA
Reliance Ports And Terminals Ltd	6.03%	AAA
IL&FS	5.91%	AAA
TATA Sons Ltd	5.71%	AAA
SAIL	5.71%	AAA
Gail (India) Ltd	5.62%	AAA
Reliance Gas Transport Infrastructure	3.47%	AAA
HDFC	3.38%	AAA
Reliance Industries Ltd	2.21%	AAA
<b>Cash And Money Market</b>	<b>25.94%</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

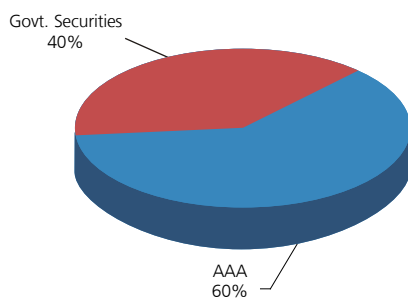


### NAV MOVEMENT SINCE INCEPTION



(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](http://www.pnbmetlife.com)

**PNB MetLife India Insurance Co. Ltd.** Insurance is the subject matter of the solicitation. LD/2013-14/064. EC025

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