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Met Invest

Gratuity Fund Performance Monthly Fund Update, November '10

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



Economy

Indicators	Oct 2010	Nov 2010	M-o-M Variation
10 Year G-sec India (%)	8.13	8.06	-0.07
10 Year AAA Corporate Bond	8.79	8.84	0.05
5 Year G-sec India (%)	7.84	7.91	0.07
5 Year AAA Corporate Bond	8.62	8.67	0.05
1 Year T-Bill	7.10	7.25	0.15
1 Year CD	8.60	9.05	0.45
Exchange Rate USD/INR	44.43	45.88	1.45
Forex Reserves USD Bn	295	297	2
WPI Inflation (%)	8.62	8.58	-0.04
Index of Industrial Production (IIP) %Growth	5.6	4.4	-1.2
US 10 Year Treasury Yield (%)	2.60	2.77	0.17
Sensex	20032	19521	-2.55
Nifty	6018	5863	-2.58
Net FII Equity Inflows (YTD) MN \$	24832	28992	4159

Source: RBI WSS & Bloomberg

Fixed Income Market

The IIP (Industrial Production) for the month of September came at 4.4%, lower than the market expectation. Continued weakness in Capital Goods, slowdown in Consumer Goods and significant revisions to historical data were the main reasons. However, the IIP till date (April onwards) is in double digits.

On the inflation front, the headline inflation in October rose to 8.58%, in line with market expectations. Going forward, the base effect and falling food prices is expected to lead to a moderation in inflation numbers. However, a rise in fuel and commodity prices poses a threat to inflation. The GDP data for second quarter came in at 8.9%, largely driven by strong Industry and Agriculture numbers.



As per RBI data (WSS), the credit growth stands at 22% (yoy) and deposit growth at 15.3% (yoy). The foreign exchange reserves are at \$298 billion. The tight liquidity conditions continue to exert pressure on the shorter end of the yield curve. Liquidity has been tight in the market largely due to Equity IPO's, regular central government borrowing and high cash reserve ratio. Market is awaiting further liquidity enhancing measures from RBI. We do not expect RBI to increase rates in the mid-December policy review.

As anticipated, SEBI announced auctions for allocation of debt investments to FII's. The government had relaxed the investment limit for FII's by USD 5 billion each in government securities and corporate debt in the month of September 2010. The present total FII investment limit in government securities and corporate debt stands at \$10 billion and \$20 billion respectively.

On the global front, after the quantitative easing in US, Ireland decided to accept emergency funding from EU/IMF for its banking industry. However, the threat of a potential downgrade by rating agencies still exists.

Equity Market

The Equity Markets corrected sharply in November. The key reason was renewed concern of sovereign default by Ireland and the contagion spreading from the European region, which could impede global recovery.

Towards the end of month, the news relating to a CBI investigation in mortgage loan related graft involving the banking industry and real estate players led to a sharp correction in public sector banks and real estate stocks. The telecom 2G scam developments and a possible cancellation of licenses led to a sell-off in certain telecom stocks.

However, on last day of the month, the GDP data for September quarter of 2010 was released. The real GDP growth of 8.9% exceeded market expectations and sentiments turned positive. The growth was significantly higher in agriculture, which augurs well for rural demand in consumption sectors.

From the Primary Market perspective, the Powergrid FPO which was offered at a 10% discount to market price raised USD 1.6 bn. The issue was subscribed 14.5x overall and 18.5x in Qualified Institutional Buyer (QIB) segment, thereby indicating strong pent up demand for reasonably priced equity offerings, by both retail as well as the institutional segment.

The two major sectors which performed well in November were Automobile and Information



Technology. For Automobile companies, the month of November was strong with strong growth in two wheelers as well as passenger cars. IT stocks continued to be preferred, as the depreciation of INR is a positive for their earnings.





Fixed Income Market Outlook

Despite IIP growth for the month of October at 4.4%, the Planning Commission is confident of achieving the growth target. Inflation has been declining due to fall in food prices because of a good monsoon. The RBI's comfort level for inflation is at 6%. However, global recovery and oil prices continue to be a matter of concern.

To manage the tight liquidity condition in the market, RBI has already taken measures like OMO (buy back of securities) and SLR reduction by 2% to continue till January 2011 end. Going ahead, we expect further measures like auction cancellation and further reduction in SLR. Currently the 10 year government bond is trading at around 8%. The market is awaiting the new 10 year benchmark early next year.

Equity Market Outlook

The recent correction has provided a good entry point to investors to enter the market at attractive valuations. Though some sectors like real estate and telecom may face headwinds based on recent developments, there are quite attractive opportunities in other sectors.

Globally, the Irish bailout package has allayed fears of a default. China is expected to continue tightening its economy, thereby moderating economic growth.

The strong Indian GDP growth will probably lead to a revision in FY 2011 expectations by around 25 basis points. This implies that GDP growth could come in the range of 8.75-9% for FY 2011. We believe Indian markets would continue to stand out in terms of risk reward for global investors.

We continue to remain positive on domestic consumption themes of Financial services, Automobile and Infrastructure. However, economic developments in China and developed economies will have a significant bearing on Indian markets. Any sharp FII outflow can impact sentiments negatively. We expect strong corporate earnings for the second half of FY 2010-11. We maintain our positive fundamental view on equity markets, going forward.

UNIT-LINKED Fund

Gratuity Balanced

As on 30th November 2010

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 1 year return	8.0%	8.1%
CAGR since inception	4.8%	4.1%

Past performance is not indicative of future performance.

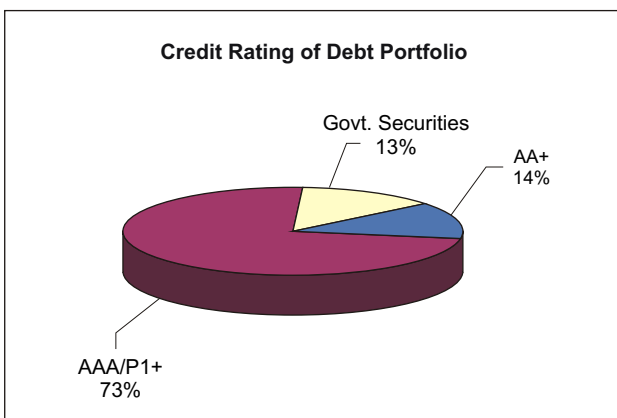
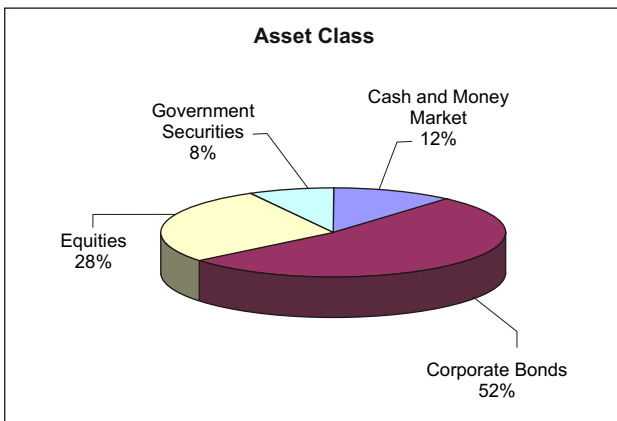
Note: Benchmark has been calculated as per the target holding of the Fund i.e. 30% Equity and 70% Debt Securities

Security Type

Equity
Debt

Benchmark Index

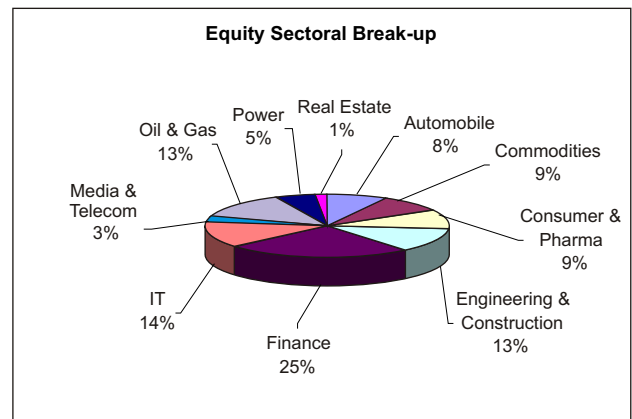
S&P CNX NIFTY
CRISIL Composite Bond Fund Index



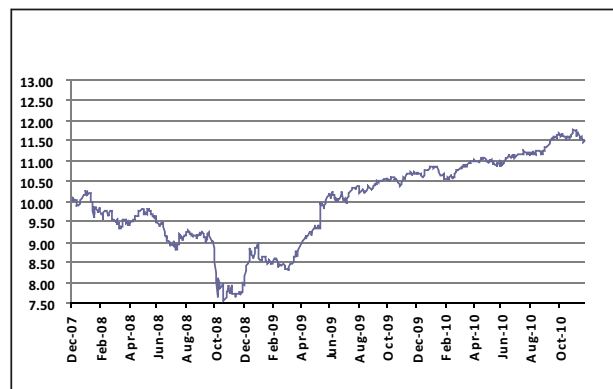
(Portfolio as on 30 Nov 2010)

Security Name	Wt (%)	Rating
Government Securities	8.07%	
GOI 2020	2.96%	Sovereign
GOI 2032	2.86%	Sovereign
GOI 2011	2.25%	Sovereign
Corporate Bonds	52.37%	
Reliance Gas Transport Infrastructure	8.16%	AAA
SAIL	7.35%	AAA
Reliance Capital Ltd	6.62%	AAA
Bajaj Auto Finance Ltd	5.60%	AA+
Tech Mahindra	4.26%	AAA
ICICI Bank Ltd	3.41%	AAA
Power Grid Corporation Ltd	3.23%	AAA
LIC Housing Finance Company Ltd	3.14%	AAA
Power Finance Corporation Ltd	2.61%	AAA
Larsen & Toubro Ltd	2.54%	AAA
Reliance Energy	2.15%	AA+
HDFC	1.95%	AAA
Others	1.36%	
Equities	27.85%	
Infosys Technologies	2.34%	
Reliance Industries Ltd	2.26%	
Larsen & Toubro Ltd	1.91%	
ITC Ltd	1.89%	
ICICI Bank Ltd	1.85%	
State Bank Of India	1.35%	
HDFC Bank Ltd	1.26%	
HDFC	1.04%	
Others	13.95%	
Cash and Money Market	11.71%	
Total	100.00%	

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



NAV Movement Since Inception



(Date of inception: 06-December-2007)

UNIT-LINKED Fund

Gratuity Debt

As on 30th November 2010

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.

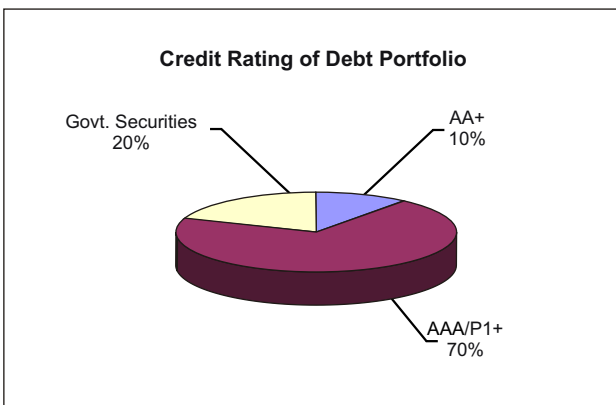
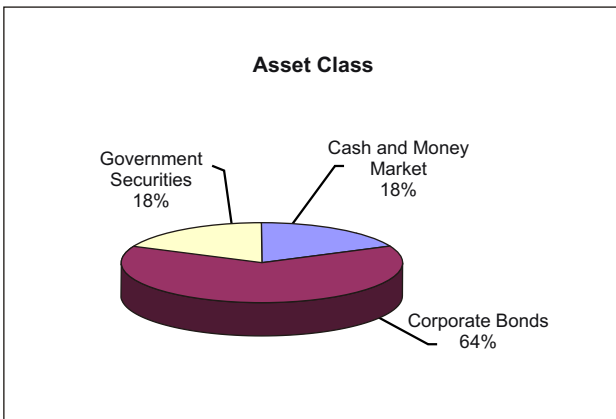
Portfolio Return

Returns	NAV	Benchmark
Last 1 year return	5.0%	4.5%
CAGR since inception	13.0%	7.3%

Past performance is not indicative of the future performance.

Note: Benchmark has been calculated as per the target holding of the Fund i.e. 100% Debt Securities.

Security Type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

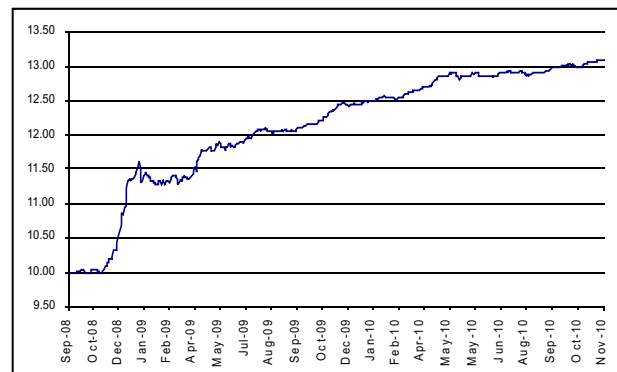


(Portfolio as on 30 Nov 2010)

Security Name	Wt (%)	Rating
Government Securities	18.26%	
SDL Maharashtra 2020	6.70%	Sovereign
GOI 2015	6.45%	Sovereign
GOI 2022	4.29%	Sovereign
Others	0.82%	
Corporate Bonds	63.44%	
LIC Housing Finance Company Ltd	6.67%	AAA
Tech Mahindra	6.58%	AAA
L&T Finance Ltd	6.51%	AA+
Reliance Capital Ltd	6.49%	AAA
HDFC	6.49%	AAA
IL&FS	6.30%	AAA
Rural Electrification Corporation Ltd	6.28%	AAA
Power Grid Corporation Ltd	5.33%	AAA
Power Finance Corporation Ltd	5.23%	AAA
Reliance Gas Transport Infrastructure	4.63%	AAA
Bajaj Auto Finance Ltd	2.94%	AA+
Cash and Money Market	18.30%	
Total	100.00%	

Note: 'Others' comprise of combined exposure to companies with less than or equal to 1% weightage in Portfolio.

NAV Movement Since Inception



(Date of inception: 16-September-2008)

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