Met Invest

Gratuity Fund

Quarterly Fund Performance

April 2014 Edition

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

The linked insurance products do not offer any liquidity during the first five years of the contract. The policyholder will not be able to surrender/ withdraw the monies invested in linked insurance products completely or partially till the end of the fifth year.

FUND PERFORMANCE

MARKET OVERVIEW

FUND CATEGORY

- Gratuity Balanced Fund
- Gratuity Debt Fund

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Fund Performance

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As on March 31, 2014

	Benchmark (BM)	1 - Year (%)		2 - Year (%)		3 - Year (%)	
		Fund	BM	Fund	BM	Fund	BM
Medium Risk							
Gratuity Balanced	30% CNX Nifty 70% CCBFI	6.9	8.4	8.3	8.5	7.2	6.4
Low Risk							
Gratuity Debt	CCBFI	2.2	4.3	6.4	6.8	8.0	7.1

CCBFI- CRISIL Composite Bond Fund Index

Glossary

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Indicators	Dec-13	Mar-14	Q-o-Q Variation
Macro Economy			
Wholesale Price Index (WPI) Inflation (%)	6.4	5.7	-0.7
Consumer Price Index (CPI) Inflation (%)	9.9	8.3	-1.6
Index of Industrial Production (IIP) (%)	-0.2	-1.9	-2.1
Domestic Markets			
Sensex	21171	22386	5.7%
Nifty	6304	6704	6.3%
10-year G-Sec India (%)	8.82	8.80	-0.2
10-year AAA Corporate Bond (%)	9.63	9.62	0.0
Exchange rate (USD/INR)	61.8	59.9	3.2%
Global Markets			
Dow Jones (U.S.)	16577	16458	-0.7%
FTSE (U.K.)	6749	6598	-2.2%
SSE Composite (China)	2116	2033	-3.9%
Brent crude oil (USD/barrel)	110.0	107.0	-2.7%

Source :Reuters, CCIL, Bloomberg

Economy

During the quarter Jan-March 2014, Indian economy saw GDP growth for 3QFY14 come at 4.7% (lower than market expectation of 4.9%). This was led by agriculture which grew by 3.6% (versus expectation of 5% growth), services grew by 7.6%, while manufacturing continued to be a drag with -0.7% de-growth.

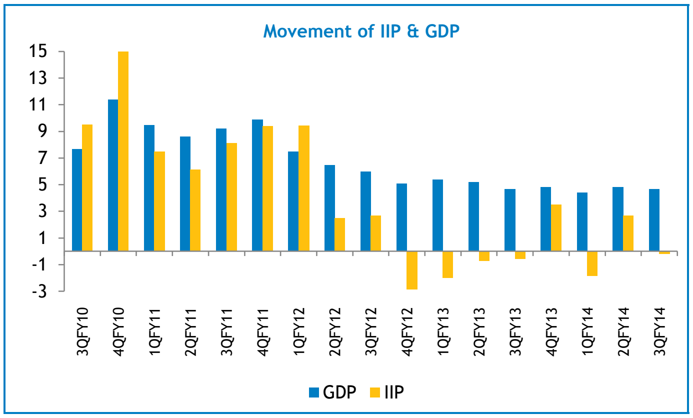
The economy continued to witness poor performance of industrial production at -1.9% versus market expectation of positive growth of 0.9%.

CPI inflation fell during the quarter due to fall in prices of vegetables. From a high of 11.2% CPI moderated to 8.3% in March 2014. However, core CPI continued to remain sticky at around 8.0%.

Current Account Deficit (CAD) for September-December 2013 quarter came at USD 4.1 bn (0.8% of GDP), which was the lowest seen in the last 4 years. This is mainly attributable to lower gold imports and higher exports including engineering goods and garments.

Indian Rupee strengthened from 61.8 at the end of previous quarter to 59.9 by end of March 2014. This was due to improvement in current account deficit, and Foreign Institutional Investors investing in Equity market as well as Debt market, due to expectation of better prospects for the Indian economy.

RBI, in its Third Quarter Review of Monetary Policy in January 2014 hiked Repo Rate by 0.25% from 7.75% to 8.00% to fight rising inflation. In the First Bi-monthly Monetary policy in April 2014 RBI kept interest rates unchanged.

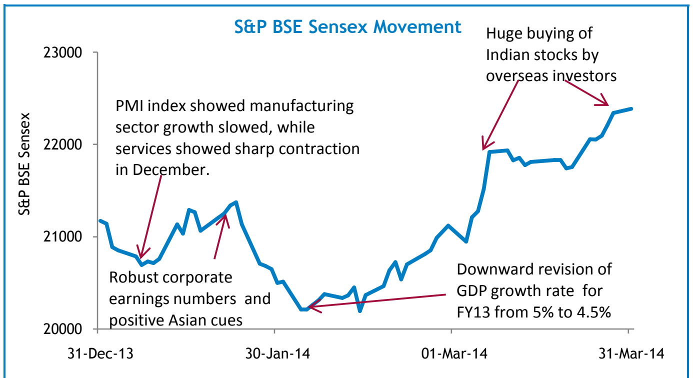


Equity Markets

Indian equity markets rallied to its all time highs during the quarter due to sharp improvement in macroeconomic fundamentals. The possibility of a stable government post General Election in May 2014 also added to the rally. After remaining muted in January and February, FII flows have started in the equity market in March 2014. India received $3.3bn FII flows in March 2014.

Improvement in domestic macro economic fundamentals and relatively weak macro fundamentals in other emerging economies, primarily Brazil, Russia and China has placed India at a relative advantage. The rupee has been the best performing currency in March 2014 quarter amongst emerging markets.

Capital goods and Financials have been amongst the best performing sectors in March quarter with the expectation of a revival in capital expenditure post elections. The Oil and Gas sector outperformed on



Source: bseindia.com, MFI explorer

account of softening of crude oil prices, appreciating Rupee and expectations of continuation of reforms post elections.

The defensive sectors- Information Technology, Consumer Goods and Healthcare witnessed muted returns during the quarter.

Equity Market Outlook

Inflation trend, interest rate environment and stable government post the General Election would be the key domestic drivers for equity markets.

In the near term, equity market outlook would depend on the outcome of General Election in May'14. A stable government could lead to further rally in the market. However, on the flip side, markets may correct sharply in case of an unfavourable outcome. On the international front, economic recovery in the developed countries, particularly US and Europe, and US Central Bank's decision on further reduction in bond purchases could also impact the market direction.

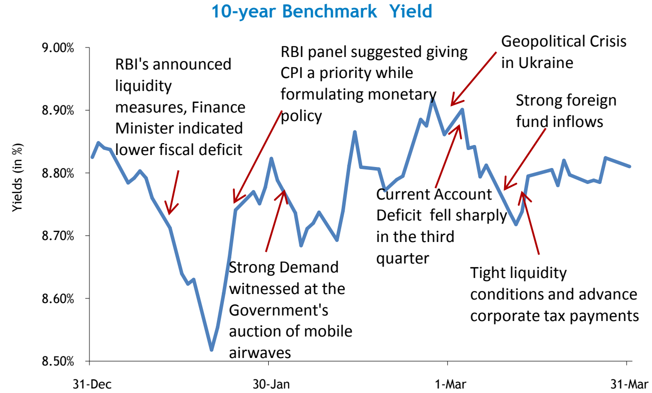
In the long term, we are positive on Equity markets on account of good growth prospects and reasonable valuations which should lead to wealth creation for policy holders.

Fixed Income Market

Fixed Income markets were range bound during January-March 2014.

In the beginning of the quarter, debt market was positive due to better inflation numbers. Market was expecting that RBI would not hike rates in its monetary policy in January. The yield on the 10 year benchmark G sec bond fell to a low of 8.5% from 8.8% at the beginning of the quarter. However, RBI surprised

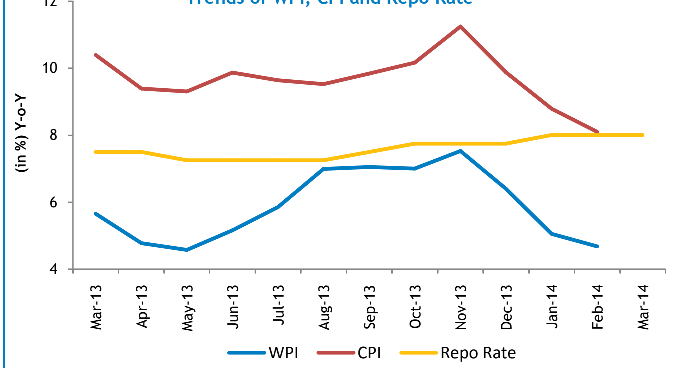
10-year Benchmark Yield



Source : CCIL

markets with a 25 bps hike in Repo rate to fight inflation. As a result interest rates rose and the yield on 10 year benchmark bond retraced to 8.80%. But yields stabilized at that level as RBI gave a guidance that it may not raise rates, if inflation continues to fall as per RBI's expectation.

Trends of WPI, CPI and Repo Rate



Source: Office of Economic Advisory, MOSPI, RBI

Fixed Income Market Outlook

Going forward, markets would watch out for Inflation data and the fiscal roadmap by new government as the key variables for interest rate movement. We expect rates to be under pressure during the first quarter of the fiscal year due to steady supply of securities through weekly auctions. Going forward, RBI would continue to strike a fine balance between inflation and growth, depending on macro-economic trends in Indian economy.

Glossary

As on March 31 2014

Gratuity Balanced

SFIN No: ULGF00205/06/04GRABALANCE117

Investment Objective: To generate capital appreciation and current income, through a judicious mix of investments in equities and fixed income securities.

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

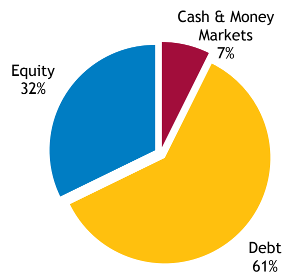
as on March 31 2014

Returns	Absolute Return		CAGR Return	
	Last 6 Months	Last 1 Year	Last 3 Years	Since Inception
Portfolio return	8.0%	6.9%	7.2%	7.9%
Benchmark**	8.6%	8.4%	6.4%	7.5%

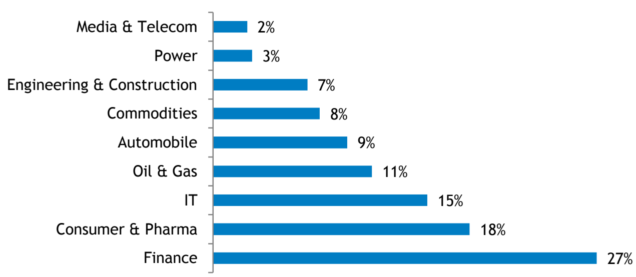
Note: *Past returns are not indicative of future performance.*

*** Benchmark return has been computed by applying benchmark weightages on CNX Nifty for Equity and CRISIL Composite Bond Fund Index for Debt*

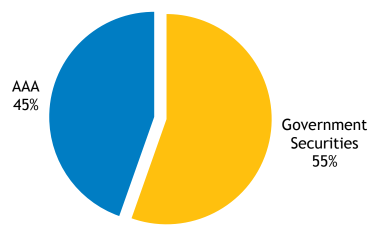
Asset Mix



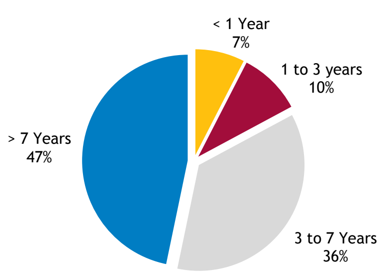
Sector Exposure



Credit Rating Profile



Maturity by Profile



Asset Classes

Equity

Government & Other Debt Securities

Portfolio Components

Security	Rating	Net Assets
GOVERNMENT SECURITY		
8.83% GOI 2023	Sovereign	11.60%
8.12% GOI 2020	Sovereign	11.06%
8.28% GOI 2027	Sovereign	10.82%
TOTAL		**33.48%**
CORPORATE BOND		
RELIANCE GAS TRANSP. INFRA. LTD	AAA	8.12%
G A I L (INDIA) LTD.	AAA	6.90%
L I C HOUSING FINANCE LTD.	AAA	6.51%
HOUSING DEVELOPMENT FIN. CORPN.	AAA	3.07%
TATA SONS LTD.	AAA	2.34%
TOTAL		**26.95%**
EQUITY		
I T C LTD.		2.65%
INFOSYS LTD.		2.13%
I C I C I BANK LTD.		2.12%
H D F C BANK LTD.		2.05%
RELIANCE INDUSTRIES LTD.		1.91%
HOUSING DEVELOPMENT FINANCE CORPN. LTD.		1.78%
TATA CONSULTANCY SERVICES LTD.		1.47%
LARSEN & TOUBRO LTD.		1.19%
Others		16.93%
TOTAL		**32.23%**
CASH AND MONEY MARKETS		**7.34%**
PORTFOLIO TOTAL		**100.00%**

NAV Movement

Date of Inception: July 07,2009

As on March 31 2014

Gratuity Debt

SFIN No: ULGF00105/06/04GRADEBTFND117

Investment Objective: To earn regular income by investing in high quality fixed income securities.

Investment Philosophy: The fund would target 100% investments in Government & other debt securities to meet the stated objectives.

Portfolio Return

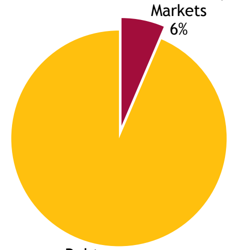
as on March 31 2014

Returns	Absolute Return		CAGR Return	
	Last 6 Months	Last 1 Year	Last 3 Years	Since Inception
Portfolio return	4.5%	2.2%	8.0%	8.3%
Benchmark**	5.1%	4.3%	7.1%	7.0%

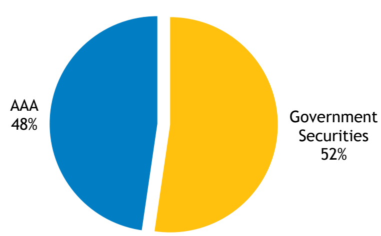
Note: *Past returns are not indicative of future performance.*

*** Benchmark return has been computed by applying benchmark weightages on CRISIL Composite Bond Fund Index*

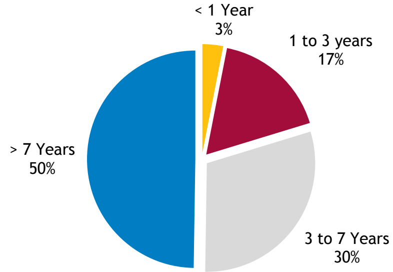
Asset Mix



Credit Rating Profile



Maturity by Profile



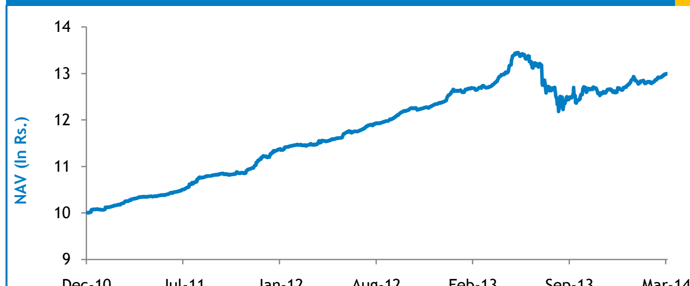
Asset Classes

Government & Other Debt Securities

Portfolio Components

Security	Rating	Net Assets
GOVERNMENT SECURITY		
8.83% GOI 2023	Sovereign	21.27%
7.28% GOI 2019	Sovereign	16.55%
8.28% GOI 2027	Sovereign	5.51%
8.24% GOI 2027	Sovereign	5.49%
Others		0.12%
TOTAL		**48.95%**
CORPORATE BOND		
TATA SONS LTD.	AAA	7.13%
RURAL ELECTRIFICATION CORPN.	AAA	7.10%
L I C HOUSING FINANCE LTD.	AAA	6.54%
RELIANCE PORTS & TERMINALS LTD.	AAA	6.13%
INFRASTRUCTURE LEASING & FIN. SERV	AAA	6.00%
G A I L (INDIA) LTD.	AAA	5.86%
RELIANCE GAS TRANSP. INFRA. LTD	AAA	3.53%
HOUSING DEVELOPMENT FIN. CORPN.	AAA	2.34%
TOTAL		**44.63%**
CASH AND MONEY MARKETS		**6.42%**
PORTFOLIO TOTAL		**100.00%**

NAV Movement



Date of Inception: December 20,2010

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Quantitative Indicators

- **Standard Deviation (SD)** - It shows how much the variation or dispersion of a fund's daily returns has from its average. Lesser SD indicates that the daily returns are moving closer to the average. A higher SD indicates that daily returns are widely spread over a large range of value.
- **Beta** – It indicates how the fund is performing relative to its benchmark. If beta of a fund is higher than its benchmark, which is considered 1, it indicates risk-return trade-off is better and vice-versa.
- **Sharpe Ratio** – It measures the risk-reward ratio as it indicates whether higher returns come with higher or lower risk. Greater the ratio, better is the risk-adjusted performance.
- **Average Maturity** – It is the weighted average period of all the maturities of debt securities in the portfolio.
- **Modified Duration (MD)** – It is the measurable change in the value of a security in response to a change in interest rates.
- **Yield To Maturity (YTM)** – It is the expected rate of annual return on a bond if it is held till maturity. The calculation assumed that all interest payments are reinvested at the same rate as the bond's current yield.

Macroeconomic Indicators

- **Gross Domestic Product (GDP) (Quarterly)** - It is the market value of all final goods and services produced within a country. This indicator is used to gauge the health of a country's economy.
- **Fiscal Deficit** – This takes place when India's expenditure rises than its revenue. To fill this gap, the Government raises debt by issuing Government/ sovereign bonds. Fiscal deficit is usually compared with GDP to understand the financial position of the country. Rising fiscal deficit to GDP ratio is not good for the country, which requires immediate attention to cut expenditure and/or increase the source of revenue.
- **Current Account Deficit (Quarterly)** - It is a deficit where India's foreign currency outflows are higher than inflows. This indicates that the country is a net debtor of foreign currency, which increases the pressure on the country's existing foreign currency reserves. Current account surplus is the opposite of this.
- **Index of Industrial Production (IIP) (Monthly)** – The index represents the production growth of various sectors in India. The index focuses on mining, electricity and manufacturing. The ongoing base year for calculation of index is 2004-2005.
- **Wholesale Price Index (WPI) (Monthly)** - The index represents the rate of growth of prices of a representative basket of wholesale goods. The index mainly represents manufacturing (64.97%), primary articles (20.12%) and fuel & power (14.91%).
- **Consumer Price Index (CPI) (Monthly)** - The index represents the rate of growth of price level of a basket of consumer goods and services sold at retail or purchased by households.
- **HSBC Purchasers Managers' Index (PMI) (Monthly)** – Three types of indices – Manufacturing, Services and Composite Index are published on a monthly basis after surveys of private sector companies. An index reading above 50 indicates an overall increase in that variable, while below 50 shows an overall decrease.

Market Indices

- **CNX Nifty Index -** It is a well diversified 50 stock index accounting for 22 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds.
- **CRISIL Composite Bond Fund Index** - It seeks to track the performance of a debt portfolio that includes government securities and AAA/AA rated corporate bonds.

Fixed Income Indicators

- **Repo Rate** - The rate at which the RBI lends money to commercial banks is called repo rate. It is an instrument of monetary policy. Whenever shortage of funds banks has, they can borrow from the RBI.
- **Cash Reserve Ratio (CRR)** - CRR is the amount of funds which the banks need to keep with the RBI. If the RBI decides to increase the CRR, the available amount with the banks comes down. The RBI uses the CRR to drain out excessive money from the system.
- **Marginal Standing Facility (MSF)** - It is a rate at which the RBI provides overnight lending to commercial banks over and above the repo window (repo rate). The interest rate charged is higher than the repo rate and hence it is used when there is considerable shortfall in liquidity.

Others

- **Foreign Currency Non-Resident (Bank) (FCNR (B))** - It is an account that allows non-resident Indian or a person of Indian origin to keep his deposits in foreign currency. Hassles of conversion can be reduced through such types of accounts.
- **Swap** – It is a derivative contract between two parties that occurs at a future date. It is used to hedge risk related to interest rates, currency and commodities movement. The counterparties exchange cash flows, if any, related to the instrument involved in the transaction.

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Compound annual growth rate (CAGR) is rounded to nearest 0.1%

About Us

PNB MetLife India Insurance Company Limited (PNB MetLife) is a joint venture between MetLife International Holdings Inc. (MIHI), Punjab National Bank Limited (PNB), Jammu & Kashmir Bank Limited (JKB), M. Pallonji and Company Private Limited and other private investors, with MIHI and PNB being the majority shareholders. PNB MetLife was previously known as MetLife India Insurance Company Limited (MetLife India) and has been present in India since 2001.

PNB MetLife brings together the financial strength of a leading global life insurance provider, MetLife, Inc., and the credibility and reliability of PNB, one of India's oldest and leading nationalised banks. The vast distribution reach of PNB together with the global insurance expertise and product range of MetLife makes PNB MetLife a strong and trusted insurance provider.

PNB MetLife is present in over 150 locations across the country and serves customers in more than 7,000 locations through its bank partnerships with PNB, JKB and Karnataka Bank Limited.

PNB MetLife provides a wide range of protection and retirement products through its Agency sales of over 15,000 financial advisors and multiple bank partners, and provides access to Employee Benefit plans for over 800 corporate clients in India. With its headquarters in Bangalore and Corporate Office in Gurgaon, PNB MetLife is one of the fastest growing life insurance companies in the country. The company continues to be consistently profitable and has declared profits for last three Financial Years.

Contact Us

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