

Gratuity Fund Performance Quarterly Fund Update, January to March '08

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

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Dear Policy Holder,

We are happy to share our latest fund update for the Q1'08.

The Indian life insurance industry continues to do well. MetLife is no different. We began the year 2008 on a positive note. The year saw us amongst the fastest growing companies in the Indian Life Insurance industry.

We want you to know that it is you who has made this success possible for us. Hence, during the recent fluctuations witnessed in the Indian stock market, it is important for us to make you understand the pros and cons of all investment options available to you.

Historical trends show that though equity markets are likely to show a positive trend in the long run, they may be volatile in the short run. Therefore, it is extremely difficult to rightly time the entry or exit in the market and form a sustainable investment strategy. One of the reliable ways to earn superior returns is to stay invested in the market for a fairly long time horizon.

At MetLife, we have a capable fund management team that follows fundamentally sound investing principles. It invests your funds into a well diversified set of instruments which ensures that your funds are not exposed to risks associated with individual scrips and sectors.

We assure you that we will always strive to raise the bar in our service and product offerings so that our customers get "Peace of Mind. Guaranteed."

Thank You for your continued support to MetLife.

A handwritten signature in black ink, appearing to read 'Rajesh Relan'.

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■ Fixed Income Commentary

The Market that was...

Government bond yields registered a fall during January on account of rate cut expectations in the monetary policy meet. However, inflationary concerns prompted the central banks to hold rates in January policy meeting, despite moderation in GDP growth. In a reaction to this, the government bond yields moved up by 20 basis points. After a lackluster month of Feb, the bond yields shot up sharply in March as higher inflation numbers spooked the bond market. Expectation turned a full circle in the quarter as market players feared a rate hike at the end of March, as against expecting a rate cut in January. Over the quarter 10-year yields rose 16 bps to close at 7.95, after touching a low of 7.35 in January.

Inflation: WPI inflation continued to trend higher on account of rising commodity prices. Apart from high oil prices, rising food and steel prices pushed up the inflation. While the Government has announced a slew of measures to control inflation,

the near-term pressures remain. Going forward in the next quarter, headline inflation is expected to remain at relatively higher levels on account of high commodity prices and waning base impact.

Liquidity: Domestic liquidity situation remained easy in early part of the year. The liquidity however tightened significantly in March, on financial year end considerations. Given the high inflation, Central bank is likely to monitor liquidity situation carefully and may resort to Monetary Stabilization Bonds/CRR hike to keep liquidity under control.

Global interest rates: The global interest rates environment remained supportive for the bond market on account of poor economic data, US sub prime market related worries and a weakness in the equity market. The United States 10-year benchmark yield eased from 4.06% to 3.43% during the quarter. US FOMC cut the federal target funds rate by 200 basis points in the quarter to forestall adverse effects on the broader economy.



The central bankers in Euro region along with UK reiterated their stance to nurture growth, in the background of sub prime woes, with an eye on inflationary pressures. China raised its reserve ratio to curb demand as Chinese economy witnessed unprecedented levels of inflation.

Monetary Policy: The central bank was careful not to accede to the expectation of market for a rate cut in January Policy, on account of rising commodity prices. Since then, inflation has spiked by over 300 bps, while economic growth continues to be on the lower side. The monetary policy due in April will be set in this background, and the central bank will have the challenge of balancing the conflicting expectations of supporting growth while controlling inflation.

Forex: India's Forex reserves stood at a robust \$ 304 billion. The INR lost ground vis-à-vis USD as FII flows turned negative and the current account deficit widened on high oil prices.

Disclaimer: The above statements are prepared as per our analysis of the market and forecast and they do not constitute an expression of opinion or a recommendation by MetLife India for investment/dis-investment or alteration of any existing investment. These are market reports giving a fair idea to the customer on the market condition and the expected market conditions. Customers are advised to consult their own Investment Advisors before they take any decision based on the above representations. MetLife India, therefore, cannot be held liable for any losses, expenses or costs arising out of the decision taken by the customer based on the above representations.

■ Equity Market Commentary

The Market that was...

The month of March saw further declines in the Indian equity markets. The NSE 50 declined by more than 9% during the month and 22.94% YTD. Small and mid caps underperformed significantly and the BSE small cap index fell by more than 18% in March. Sentiments in global markets continued to be negative and had its effect on the Indian markets. The takeover of Bear Sterns by JP Morgan and the US Fed rate cut soothed sentiments to some extent and equity markets recovered marginally in the last week of the month. For the quarter, the worst performing sectors were Realty, Banking, Metals, Power and Capital goods. All these sectors were the best performing sectors in the second half of 2008. The

Way Forward

Inflation is likely to keep the markets on tenterhooks for the next quarter. The headline inflation number is unlikely to subside on account of high commodity prices and waning base impact. Government is likely to continue with supply side measures to tame inflation. While near-term outlook on bonds remains uncertain, we believe that over the course of year, bond yields will be headed lower on slowing economic momentum and lower global rates. After recent widening in spreads, corporate bonds appear attractive.

Our Strategy

With the lowering of yields, we expect the fixed income portfolio to perform in the upcoming quarter.



Way Forward

In the short term, factors such as global capital inflows, macro economic factors such as inflation, RBI's fiscal and monetary measures, corporate results (including quantum of provisions likely to be disclosed by Banks as well as Corporates on account of derivatives exposure, next year guidance provided by IT companies) and the Sixth Pay commissions report will dictate the direction of equity markets.

Post the recent correction, Indian markets are now attractively valued at around 15 times FY09 earnings. Given the strong fundamentals such as GDP size of USD 1 trillion, savings rate to the tune of 34-35 percent, investments rate of 35 percent and the expected robust economic expansion (7-8 percent long term GDP growth), India is still one of the most attractive investments destinations on a long term basis.

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Our Strategy

While the volatility induced by global markets remains a key near term driver, the Indian markets are seeing some fresh concerns on slowing growth. The GDP growth rate for the year ending March 2009 is expected to be lower than the year ending March 2008. While the growth rate has slowed down, the growth is still decent on an absolute basis. The theme of capital expenditure and infrastructure build is a multi-year theme. Measures in the Union Budget and the 6th pay commission will boost consumer spending which was weak last year. We believe that earnings growth of 15-20% will be possible for the next few years. Hence, we believe that the current market levels provide an attractive entry point for long term investors. We advise investors not to get unduly swayed by volatile periods and invest with a long term view.

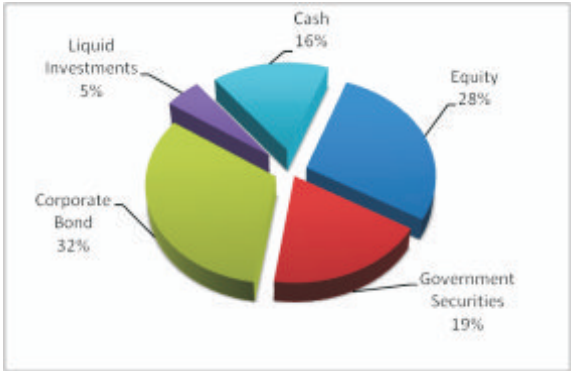
Unit-Linked Fund

Gratuity Balanced

As on 31st March 2008

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

Asset Allocation Pattern	
Government & Govt. Guaranteed Securities	0-100%
Equities	0-35%
Cash and Money Market	0-40%
Asset Mix	



Portfolio Returns		
Returns	NAV	Benchmark
Last 1 month Return	-2.7%	-2.8%
Last 2 months Return	-2.8%	-2.4%
Latest Quarterly Return	-6.6%	-6.1%
Last 12 months Return	15.3%	12.9%
Last 2 Years (CAGR)	11.9%	9.7%
Last 3 Years (CAGR)	15.0%	14.7%
CAGR since inception	14.4%	14.4%

Past performance is not indicative of the future performance

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

Security Type	Benchmark Index
Equity	S&P CNX NIFTY
Debt	CRISIL Composite Bond Fund Index

NAV Movement since inception



(Date of Inception:29-Nov-2004)

(Portfolio as on March 31, 2008)

Security	Wt (%)	Rating
Debt		
Electricity Distribution	0.0%	
RELIANCE ENERGY	0.0%	AAA
Electricity Generation	1.1%	
NTPC	1.1%	AAA
Government Securities		
10.25% GOI 2021 M/D. 30/05/2021	0.8%	SOV
7.59% OIL COMP GOI BONDS 23/03/2015	0.2%	SOV
11.50% KERALA SDL (MD 29/08/2008)	0.1%	SOV
7.38% GOI 2015 (M.D. 03.09.2015)	0.0%	SOV
GOI OIL BOND 8.20% 2024	2.3%	SOV
GOI LOAN 10.95% 2011	0.2%	SOV
GOI 8.33% 2036	7.4%	SOV
GOI 6.96% (SPEC SEC - OIL CO. SPL)	7.7%	SOV
Housing Finance		
HDFC	6.7%	AAA
LIC HOUSING FINANCE 9.80% 2017	12.6%	AAA
NBFC		
CITIFINANCIAL CONSUMER FINANCE	1.1%	AAA
MAHINDRA & MAHINDRA FINANCIAL SERVICES	0.6%	AA+
GE MONEY FINANCIAL	0.7%	AAA
L & T FINANCIAL	0.9%	CAREAA+
Other Finance		
IL&FS	4.7%	AAA
IDFC	0.3%	AAA
ICICI BANK	0.6%	AAA
Power Finance Corporation	3.0%	AAA
Total Debt		
Equity		
Aluminium	0.0%	
HINDALCO LTD	0.0%	
Automobile	0.7%	
MARUTI SUZUKI INDIA LIMITED	0.2%	
TATA MOTORS LIMITED	0.1%	
BAIJAJ AUTO LTD	0.0%	
MAHINDRA & MAHINDRA LTD	0.4%	
Banking Services	2.8%	
ICICI BANK LTD	1.0%	
STATE BANK OF INDIA	1.2%	
HDFC BANK LTD	0.5%	
PUNJAB NATIONAL BANK	0.2%	
Cement	0.1%	
AMBUJA CEMENT LTD	0.1%	
ACC	0.0%	
Copper & Copper Products	0.3%	
STERILITE INDUSTRIES	0.3%	
Crude Oil	3.0%	
OIL AND NATURAL GAS	2.1%	
CARN INDIA LTD	0.9%	
Diversified	1.9%	
HINDUSTAN UNILEVER LTD	0.7%	
GRASIM INDUSTRIES LTD	0.4%	
ITC LTD	0.9%	
Housing Construction	0.3%	
UNITECH LIMITED	0.3%	
Electricity Distribution & Generation	2.8%	
TATA POWERS LTD.	0.4%	
RELIANCE ENERGY	0.4%	
POWER GRID CORPORATION	0.5%	
NTPC	1.6%	
Electrical Equipments	0.5%	
SIEMENS LIMITED	0.1%	
ABB LTD	0.4%	
Housing Finance	0.7%	
HDFC	0.7%	
Information Technology	1.8%	
INFOSYS TECHNOLOGIES	0.9%	
TATA CONSULTANCY LTD.	0.4%	
WIPRO	0.1%	
HCL TECHNOLOGIES LIMITED	0.3%	
SATYAM COMPUTER SERVICES LIMITED	0.1%	
Media & Broadcasting	0.3%	
ZEE ENTERTAINMENT ENTERPRISE	0.3%	
DISH TV	0.0%	
Pharmaceuticals	0.9%	
SUN PHARMACEUTICALS INDUSTRIES LTD	0.3%	
DR. REDDYS LABORATORIES LTD	0.2%	
RANBAXY LABORATORIES LTD.	0.3%	
Prime Movers	1.2%	
BHEL	1.2%	
Refinery	4.3%	
RELIANCE INDUSTRIES	3.6%	
RELIANCE PETROLEUM LIMITED	0.7%	
Steel	1.6%	
SAIL	1.0%	
TATA IRON AND STEEL	0.6%	
Telecommunication	2.9%	
BHARTI TELEVENTURES LTD	1.8%	
RELIANCE COMMUNICATIONS LIMITED	1.0%	
TATA COMMUNICATIONS LTD.	0.1%	
Turnkey Projects	1.2%	
LARSEN & TOUBRO LTD	1.2%	
Trading	0.4%	
GAIL (INDIA) LTD	0.4%	
Others	0.0%	
Total Equity	28.0%	
Money Market	5.0%	
Cash & Other Liquid Assets	15.9%	
Grand Total	100.0%	

Unit-Linked Fund

Gratuity Debt

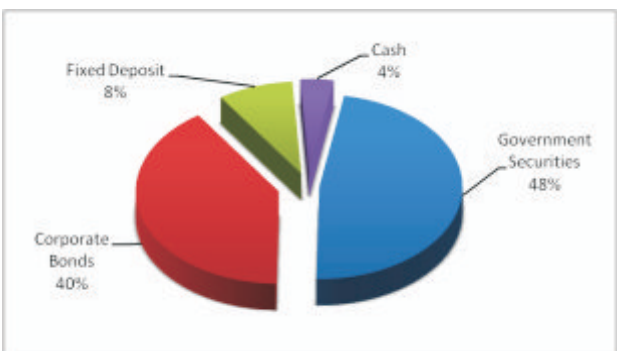
As on 31st March 2008

To earn regular income by investing in high quality fixed income securities

Asset Allocation Pattern

Government & Govt. Guaranteed Securities	25-90%
Equities	0%
Cash and Money Market	0-40%

Asset Mix



Portfolio Returns

Returns	NAV	Benchmark
Last 1 month Return	0.3%	0.0%
Last 2 months Return	0.4%	0.0%
Latest Quarterly Return	1.4%	1.0%
Last 12 months Return	9.3%	8.3%
Last 2 Years (CAGR)	6.4%	6.0%
Last 3 Years (CAGR)	5.4%	5.1%
CAGR since inception	5.9%	5.5%

Past performance is not indicative of the future performance

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

Security Type	Benchmark Index
Debt	CRISIL Composite Bond Fund Index

NAV Movement since inception



(Date of Inception: 29-Nov-2004)

(Portfolio as on March 31, 2008)

Security	Wt (%)	Rating
Debt		
Government Securities	47.5%	
7.59% GOI OIL BOND	13.6%	SOV
10.95% GOI 2011	1.9%	SOV
6.96% GOI OIL BOND	9.6%	SOV
8.13% GOI OIL BOND	3.1%	SOV
GOI LOAN 7.38% 2015	0.1%	SOV
GOI OIL BOND 8.20% 2024	2.5%	SOV
GOI 8.33% 2036	16.8%	SOV
Electricity Distribution & Generation	9.6%	
POWER GRID CORPORATION	2.9%	AAA
NTPC	4.2%	AAA
PFC 9.25% 2012	1.0%	AAA
RELIANCE ENERGY	1.5%	AAA
Housing Finance	7.4%	
HDFC	7.4%	AAA
NBFC	15.2%	
CITIFINANCIAL CONSUMER FINANCE	5.2%	AAA
M & M FINANCIAL SERVICES	2.9%	AA+
GE MONEY FINANCIAL	4.7%	AAA
L & T FINANCIAL	2.3%	CAREAA+
Banking Services	3.7%	
ICICI BANK	3.7%	AAA
Other Finance	4.2%	
IDFC	3.1%	AAA
IL & FS	1.1%	AAA
Total Corporate Debt	40.2%	
Money Market	8.5%	
Cash and Equivalents	3.8%	
Grand Total	100.0%	

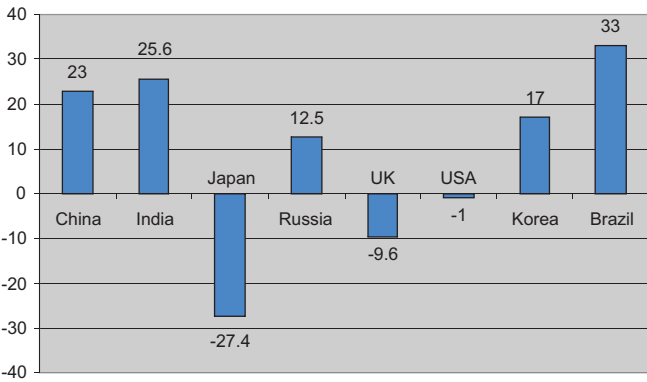


Global Scenario

The last quarter has been one of the most challenging periods for equity markets worldwide. Factors such as probability of US slowdown and its expected impact on global economic growth, the sub-prime meltdown in US housing sector and subsequent credit crunch, rising inflation on the back of soaring oil and food prices, and increasing commodity prices (both industrial and agricultural) have led to significant volatility in the global markets.

The chart below shows that some countries such as India, China, Russia, Brazil and Korea provided positive returns over the last one year (April 07-March 08).

Performance of major global indices (% returns)

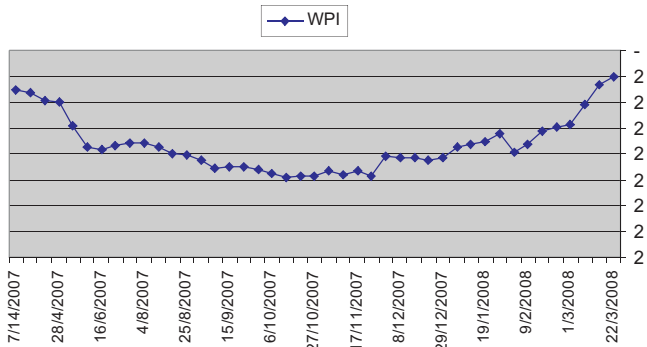


Source: Bloomberg

Domestic economic environment

Financial markets worldwide are more interlinked than ever before and India, too, is a part of this. As is the case with global capital markets, domestic markets have also seen a sudden bout of volatility. Nifty 50 is down about 25% from its all-time high of 6287 in January 2008. In addition to the coupling effect with global markets, macro-economic data has also played a crucial role in affecting volatility.

On the economic front, Index of Industrial Production (IIP) grew by just 5.3% in January 2008 as compared to 12.2% in January 2007. Headline inflation rate (WPI) continues to move upwards and has now reached a three year high of 7.0%. Inflation was 5.1% and 3.1% for the week ended March 1, 2008, and November 24, 2007 respectively. The present inflation rate is above the Central Bank's comfort zone of 5%.

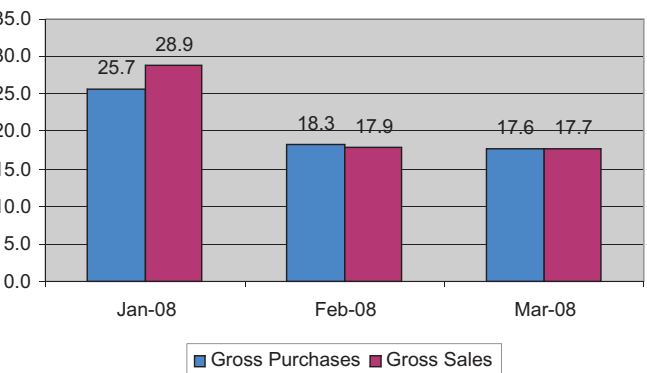


Source: Bloomberg

Recent Market Volatility

The confluence of global and local factors is beginning to have an impact on investors' risk perception. During the last quarter, Foreign Institutional Investors (FIIs) have pulled out USD 2.9 billion (net) from the Indian markets. The chart below shows gross purchases and sales by FIIs during the quarter Jan-March 2008.

Buying and Selling by FIIs (USD billion)



Source: SEBI

Trading volumes have fallen significantly from the January peak. Both cash turnover as well as cash trading (by number of shares) has declined considerably. This has also led to increase in volatility in the market.

What to do and what not to do during volatile markets

What you should do:

a) **Stay fully invested:** Life insurance is a long term investment. While the short-term direction of market is uncertain, in the long run it's a clear blue sky. India's long term story is quite robust. India is among the two fastest growing large size economies of the world.

2. Invest more monies through top-ups: Bear markets provide a good opportunity for buying bluechips at relatively low valuations. You could use this opportunity by investing through top-ups. Top-ups are available in our entire portfolio of unit linked products. They represent a one time discretionary payment into the fund.

3. Use this opportunity to review your asset allocation strategy: You might have been overweight on equities vis-à-vis debt or vice versa. This is a good time to have a relook at your asset allocation strategy and confirm if the existing asset allocation matches your risk profile. Switches and redirection are tools available in all our unit linked products. These can help you to reconstruct a suitable asset allocation profile.

What you should not do:

1. Surrender your policies or make partial withdrawals: Most insurance policies are purchased with a specific long term objective such as children's education, marriage or retirement. Always remember the reason for buying the policy in the first place; keeping in mind that life insurance is a long-term investment.

2. It's all about 'time' and not 'timing' the market:

The investment aspect of life insurance is about discipline and having a long term horizon. Avoid timing the market. It is impossible to find “tops” or “bottoms” in any market. Always remember, it is all about 'time' and not about 'timing'.

