

Update to MetLife's Index Portfolios



28th July 2010

Recently we changed our index portfolios so that they now have an exposure to UK corporate bonds.

We have decided to make this change for a number of reasons. Among these is that the extra diversification will help to protect the portfolios from an over reliance on the government bond market, as well as to respond to feedback we have received from advisers.

Furthermore, corporate bonds have performed well in comparison to gilts over the last 12 months, and this is highlighted in the below extract from a BlackRock article which explains in depth the corporate bond market and the expectations for the future:

"Last year turned out to be one of the strongest years on record for the corporate bond market. While future return expectations clearly need to be moderated as credit is now much closer to fair value, the existing yield premium will allow the sector to continue to produce attractive returns relative to cash and government bonds." BlackRock, Strategic Solutions Bulletin (March 2010)

Previously, the fixed interest portion of our portfolios had been invested entirely in UK gilts. Going forward, the fixed interest element will have a portion invested in the MetLife Corporate Bond 1-10 Year Index Fund.

The overall exposure to fixed interest assets will remain exactly the same at 70% for Defensive Index Portfolios, 55% for Conservative Index Portfolios and 45% for Cautious Index Portfolios.

This change has been implemented across all our portfolios, thus ensuring we retain a consistent approach for all our customers. The split within the fixed interest portion of our portfolios will now be as follows:

	Defensive Portfolio	Conservative Portfolio	Cautious Portfolio	Balanced Portfolio	Aggressive Portfolio
MetLife UK Fixed Interest Index Fund	52%	41%	33%	8%	0%
MetLife Corporate Bond 1-10 Year Index Fund	18%	14%	12%	7%	0%

The objective of the MetLife Corporate Bond 1-10 Years Index Fund is as follows:

“To achieve a total return by tracking closely the performance of a composite benchmark comprising of the Bank of America Merrill Lynch Sterling Corporate Securities 1-5 Year Index and the Bank of America Merrill Lynch Sterling Corporate Securities 5-10 Year Index by investing in the fixed income securities contained in those indices.” BlackRock Collective Investment Funds Prospectus May 2010

It is important to note that the overall objective of each portfolio remains exactly the same.

The fund management charge of the fund remains exactly the same at 0.2% however because this is a new fund, the relative administrative costs represent a higher proportion of the fund. Consequently, the Total Expense Ratio (TER) for the new MetLife Corporate Bond 1-10 Year Index Fund will initially be 0.25%, and the TER of all MetLife Index Portfolios will be 0.23% as opposed to the previous 0.22%. As the fund grows and achieves higher levels of funds under management the proportional running costs will decrease which will in turn reduce the TER and we fully expect the TER to decrease back to its previous level.

We are committed to continually reviewing our portfolios in order to achieve the best return possible for our clients whilst adhering to the stated fund objectives and our ability to responsibly provide the guarantees we have promised our clients.

If you have any questions about these changes please feel free to contact your local MetLife representative or alternatively call the Sales Resource Centre on 0845 370 6040.

Want to find out more?

To find out more about how MetLife can make a difference to your clients' financial future, contact us today on **0845 370 6040**, or email salesresource@metlife.com

You can also find out more at www.metlife.co.uk

MetLife Sales Resource Centre (Pre-sale information for Financial Advisers).

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