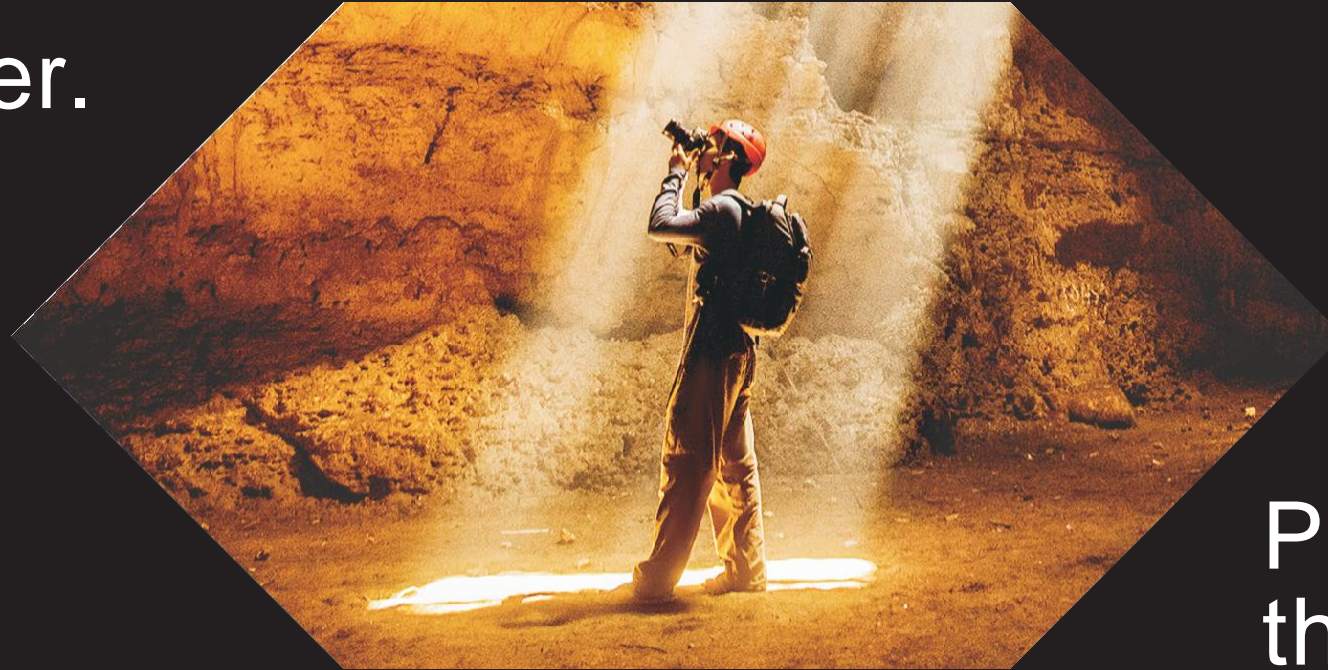


Discover.



Potential  
that's rare.

## HSBC Value Fund

Value Fund: An open ended equity scheme following a value investment strategy

Product Deck  
October 2023

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully**

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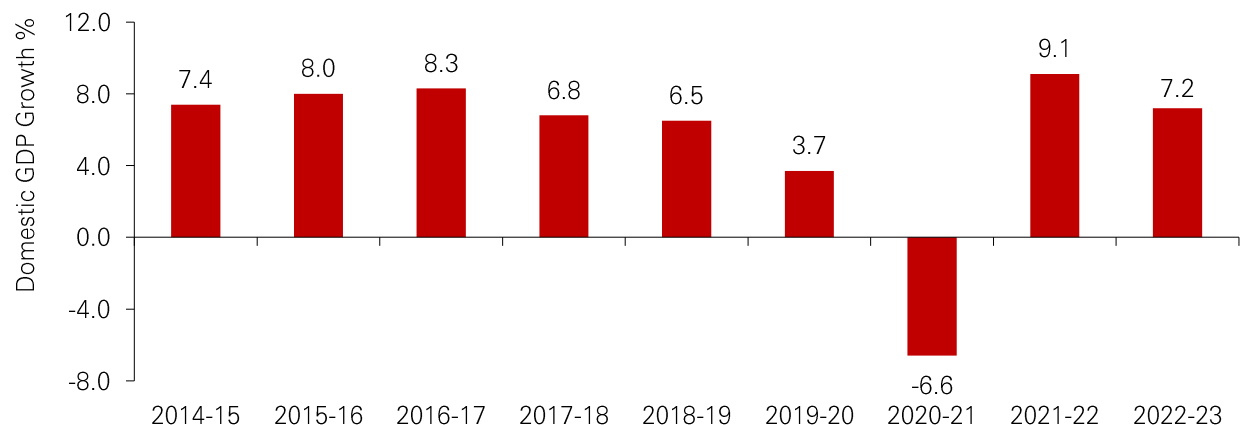
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Annexures

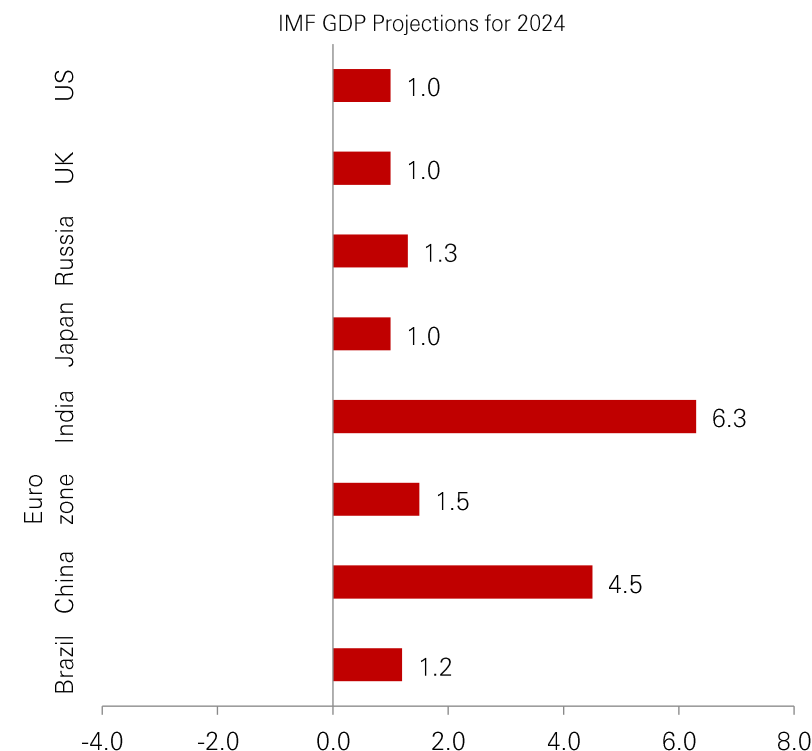
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# India economic outlook remains largely positive

- Persistent and intensifying global headwinds seem to have no significant impact on the Indian economy, with major global and domestic institutions expressing confidence in the economy’s resilience amid a challenging global environment.
- In its latest economic outlook, the Organisation for Economic Co-operation and Development (OECD) raised its fiscal 2024 growth forecast for the Indian economy from the earlier 6% to 6.3%..
- Likewise, global rating agency Moody's raised India's growth projection for calendar year 2023 from 5.5% to 6.7%, citing strong services sector growth and a surge in capex
- Meanwhile, the Ministry of Finance, in its August edition of Monthly Economic Review, exuded confidence that India will achieve 6.5% growth in fiscal 2024.

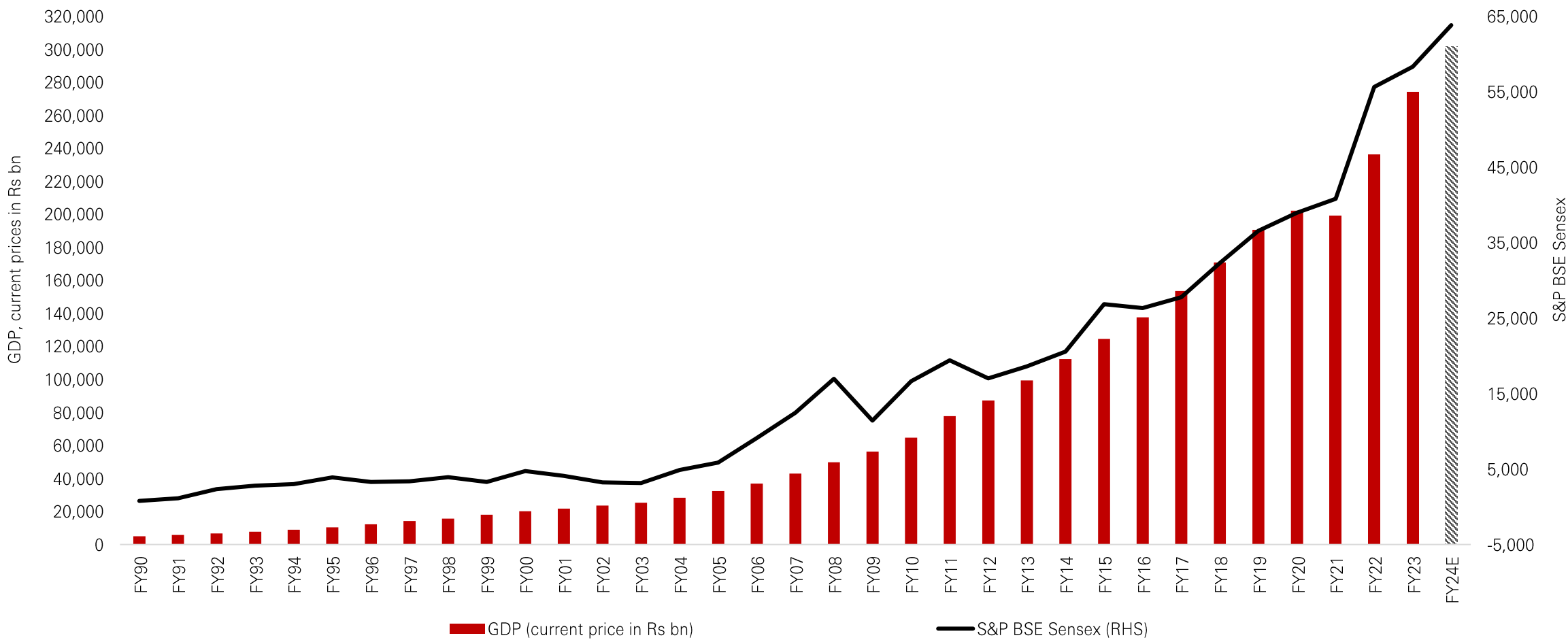


Source – Mospi, CRISIL Data ended September 2023 except otherwise mentioned.



# Equity mirrors economic growth in the long term

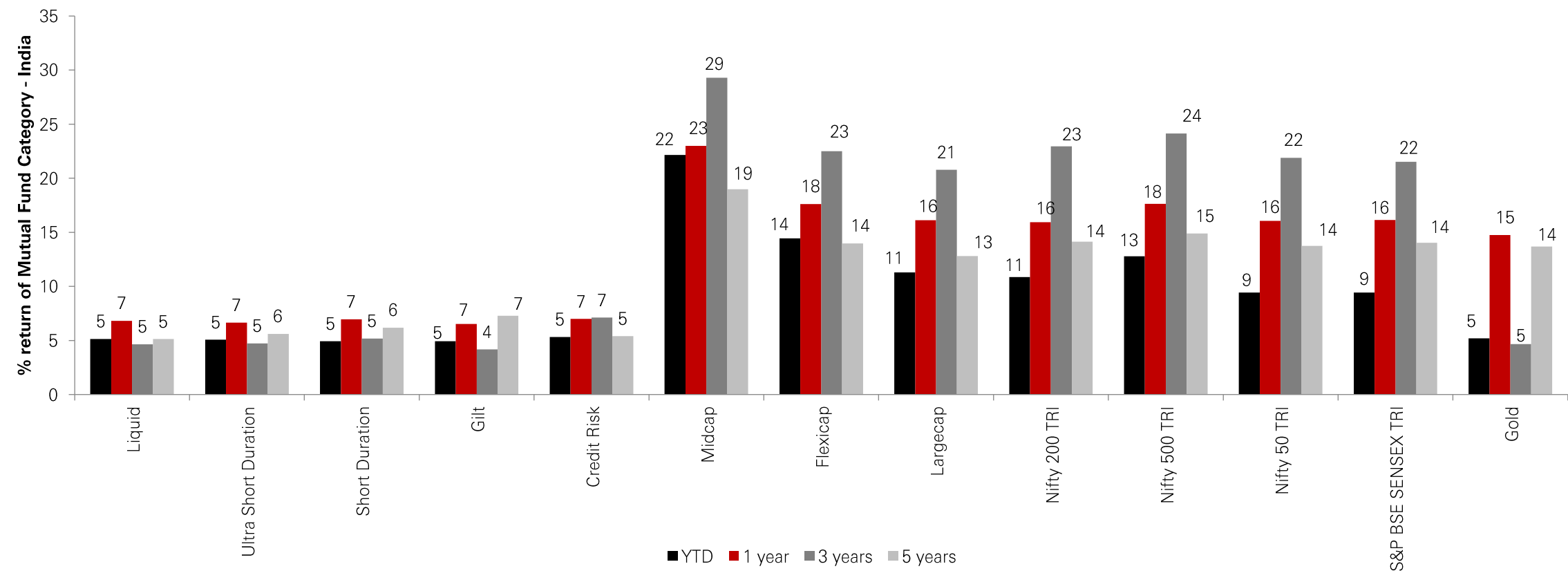
GDP - The Indian economy is expected to carry the momentum of last year’s GDP growth into the current fiscal year as well



Source: IMF - The GDP projection for fiscal year 2024 is shown shaded in this graph is for illustration purposes only and is not guaranteed, BSE  
Data ended September 29, 2023 except otherwise mentioned. Past performance may or may not sustain and does not guarantee future performance.

# Equities remain one of the best asset classes in past few years

Fund Category returns – Equity oriented funds posted strong performance in the long term



Source: Crisil, Data ended September 2023 except otherwise mentioned, YTD, 1 year returns are absolute, 3 and 5 years annualised CAGR returns, Average performance of 22 Liquid, 18 Ultra Short Duration, 19 Short Duration, 16 Gilt, 11 Credit risk, 23 Mid cap, 23 Flexi cap and 27 Large cap funds of CRISIL ranked schemes from the respective fund categories, Gold returns are based on spot rates from India Bullion and Jewellers Association (IBJA). Past performance is not indicative of future performance. The above chart does not provide indicative / assured returns or any guarantee. Investors are requested to refer CRISIL Mutual Fund Ranking Methodology for more details on parameter used to arrive the graph above. ‘Click here’ for CRISIL Mutual Fund Ranking Methodology.”

# Styles of Investing in Equity Mutual Funds

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Different equity mutual fund schemes follow different investment styles

## Growth Investing

Funds which are based on the **growth investing** style try to identify stocks which have the potential to deliver higher **earnings per share (EPS)** growth over the next few quarters. Capital appreciation in equities is directly related to EPS growth. Share prices usually go up when EPS increases and hence growth stocks exhibit faster growth in share prices. In a market like India, growth investing style is very popular.

## Value Investing

Fund managers who follow the value style try to identify stocks which are **trading at significant discounts to their intrinsic value**. The market may over-estimate or under-estimate the intrinsic value of a stock. If the market is under-estimating the intrinsic value of a stock, then the current market price (share price) of the stock will be lower than the intrinsic value. Value fund managers will invest in stocks, where the market price is significantly lower than the intrinsic value as determined by the fund manager.

## Growth at a Reasonable Price (GARP)

This investing style was popularized by legendary fund manager. This investing style **blends growth and value investing**. While the focus of GARP is on growth stocks (stocks with high EPS growth expectations), the fund manager also looks at price relative to EPS growth. In the GARP investing style, the fund managers would avoid stocks whose price (valuations) have run ahead of EPS growth.

A strategy of investing in stocks that trade at less than their intrinsic value

## What is intrinsic value in value investing?

Value of a stock is the present value of future free cash-flows of the company. Fund managers estimate intrinsic value of a stock based through fundamental analysis i.e. analysis of the industry growth potential, the company's competitive strengths, market share growth, operating margins, working capital and capex growth, financial projections including earnings per share (EPS) growth etc.

## Margin of safety in value stocks

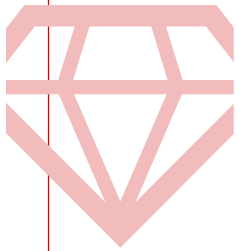
If you buy stocks which are trading at significant discount to its intrinsic value, you get a margin of safety. Margin of safety limits downside risk in deep market corrections since the prices are relatively low. Value fund managers aim to pick stocks which give them high margin of safety. Value funds may be more suitable to investors who do not have very high risk appetites. In volatile markets, value stocks can be attractive for investors looking for capital appreciation over long investment horizons.

Source: Bloomberg, MSCI, Financial Express

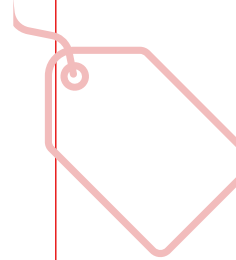
# Characteristics of Value Stocks

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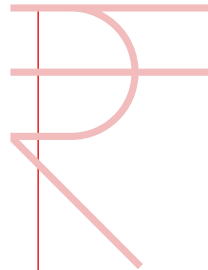
Value fund managers look at metrics like Price to Earnings ratio (PE), Price to Book ratio (PB) and Dividend Yield



**PE Ratio:** PE ratio is the current market price (share price) of a stock divided by its 12-month EPS. The 12-month EPS can either be the last 12 months (TTM PE) or estimated EPS over the next 12 months (Forward PE).



**PB Ratio:** PB ratio is the current market price (share price) of a stock divided by its book value per share. Book value of a share is total assets minus total liabilities (excluding shareholder's equity)



**Dividend Yield:** Dividend yield is the annual dividend paid by the stock divided by the share price. e.g. the share price of a company is Rs.100. The company declares a dividend of Rs 10. The dividend yield will be  $\text{Rs } 10 \div 100 = 10\%$ .

**Value fund managers will typically invest in stocks, which have low PE, PB and high dividend yield.**

Source: Bloomberg, MSCI, Financial Express



# Why invest in value theme now?

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## Inflation and rate outlook

- Global inflation has been stickier than previously anticipated. This may force central banks to increase interest rates more than previously anticipated by the market or keep them elevated for a longer period of time than previously anticipated.

## Margin of safety

- Since the inflation and interest rate outlook is uncertain, the market may continue to be volatile for some time. In volatile markets, value stocks provide a margin of safety for investors.

## Value based approach

- India outperformed in 2022 when global markets (major markets like US, Europe, China etc) were down. Valuations may be stretched in some stocks and a value based stock specific investment approach may be suitable in the current environment.

## Twin benefits

- Value stocks outperform in early stages of economic recovery, which is when valuation rerating takes place. EPS also picks up at this stage and value funds get twin benefits of valuation rerating and EPS growth.

## Diversification

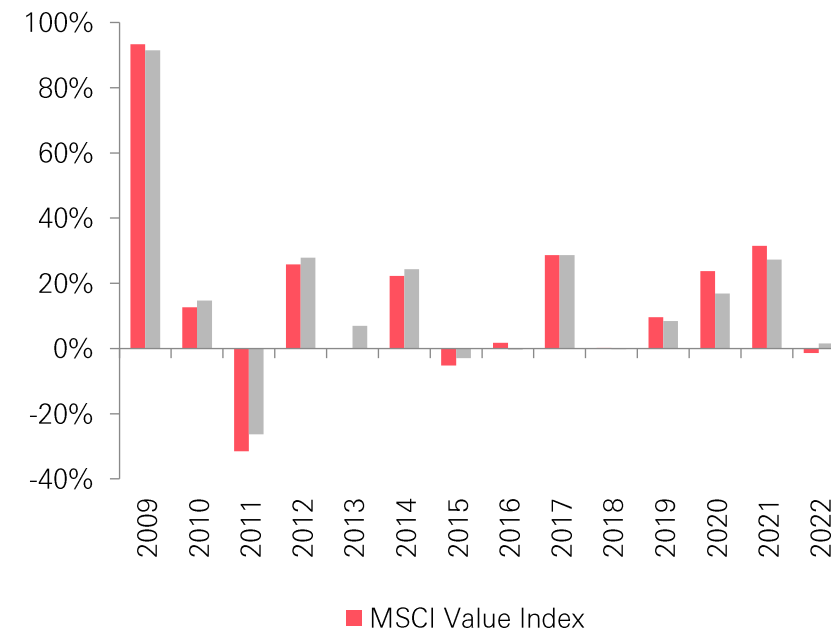
- Value funds provide diversification to your investment portfolio. The MSCI India Value Index outperformed the MSCI India Index (comprising of both growth and value stocks) for around 50% of the times in the last 15 years.

## Bottom up

- Value investing requires considerable bottom up stock picking expertise backed by strong research capabilities. You should invest in funds with strong long term performance track record.

## True value

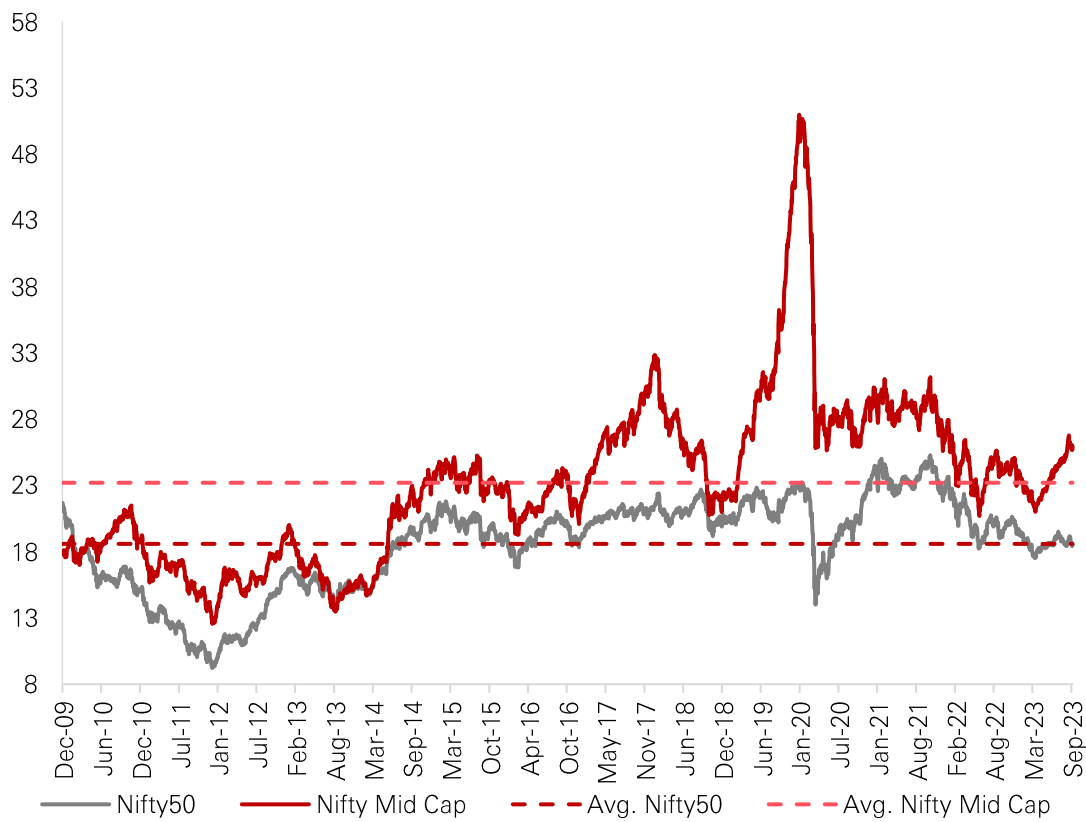
- Investors should have very long investment horizons for value funds, since the prices of value stocks can remain depressed for a long time till the market discovers their true value.



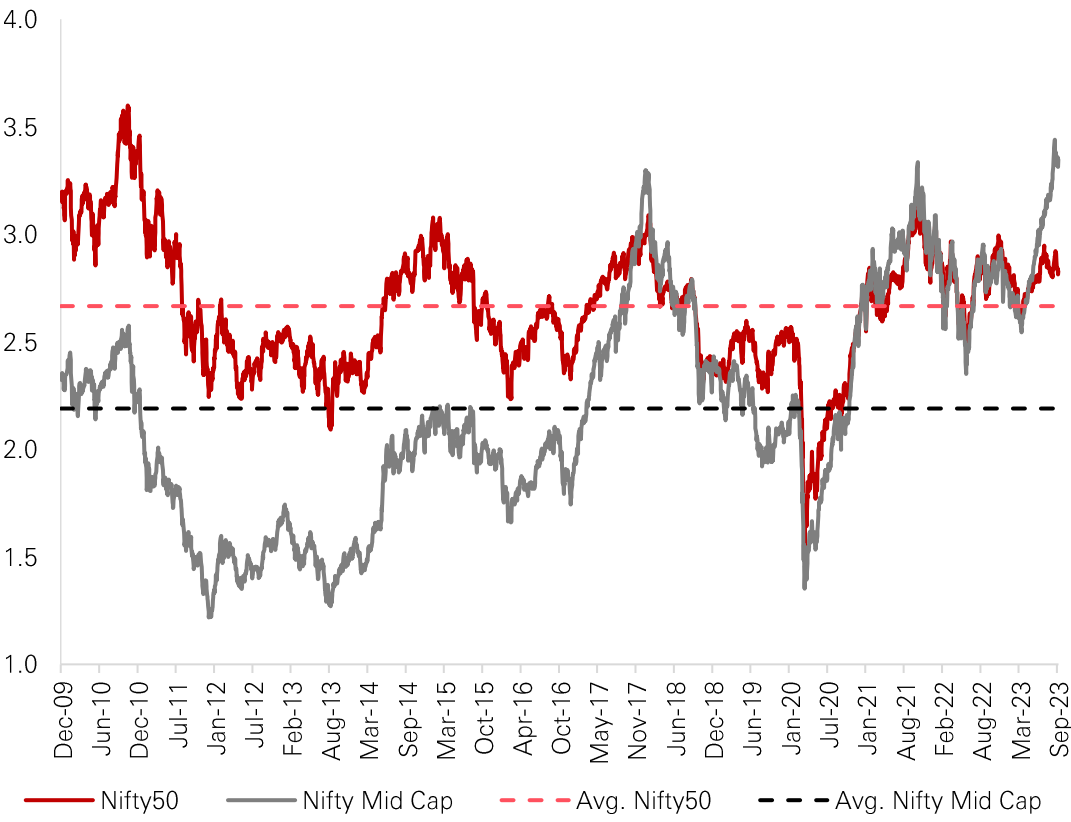
Source: Bloomberg, MSCI, Financial Express. Data as at March 31, 2023

# Market Valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



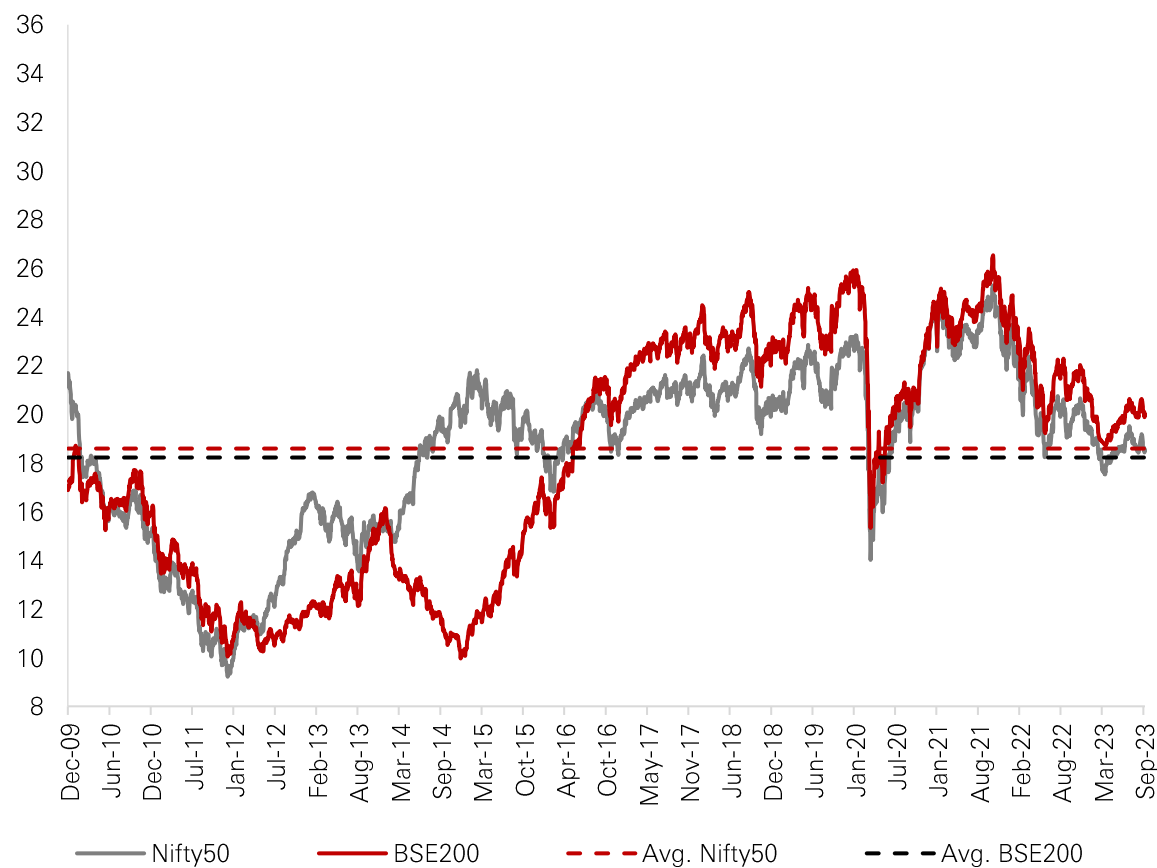
Large and Mid Cap - Price to Book (PB)



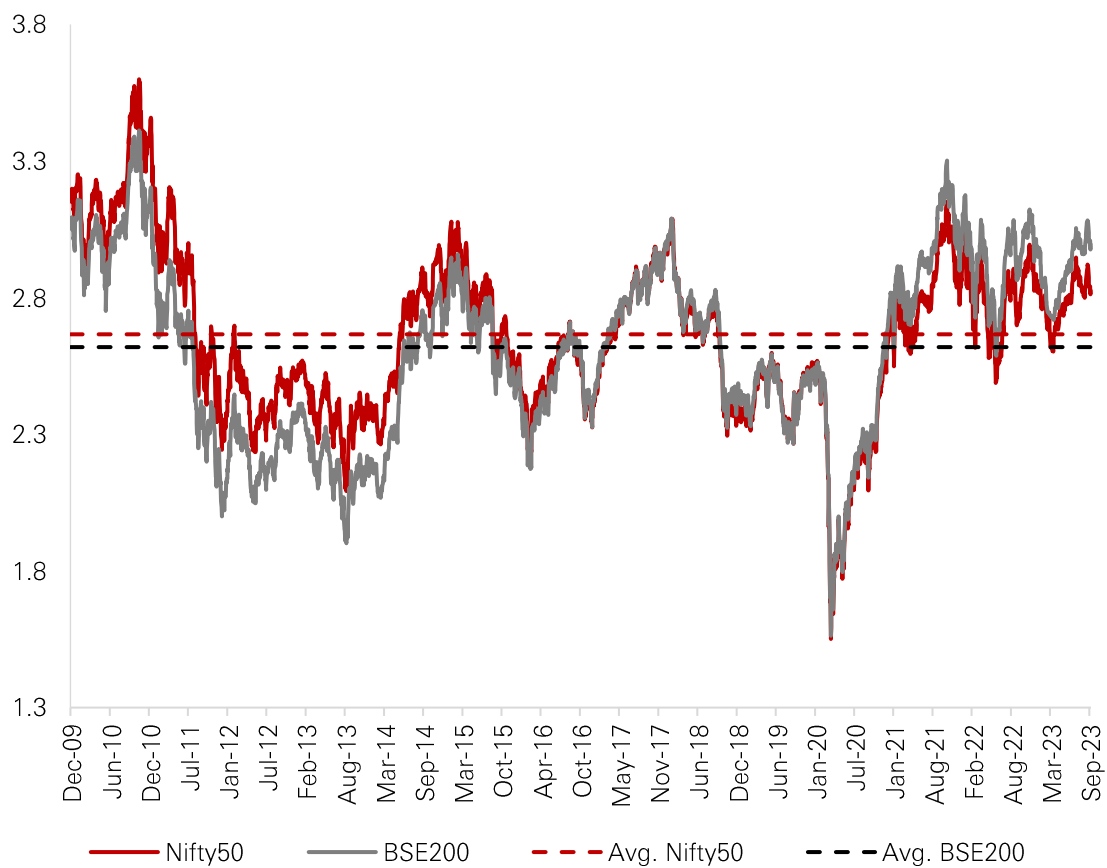
Source: Bloomberg, data as on September 30, 2023  
Investment involves risks. Past performance is not indicative of future performance.

# Market Valuations – Nifty 50 and S&P BSE 200

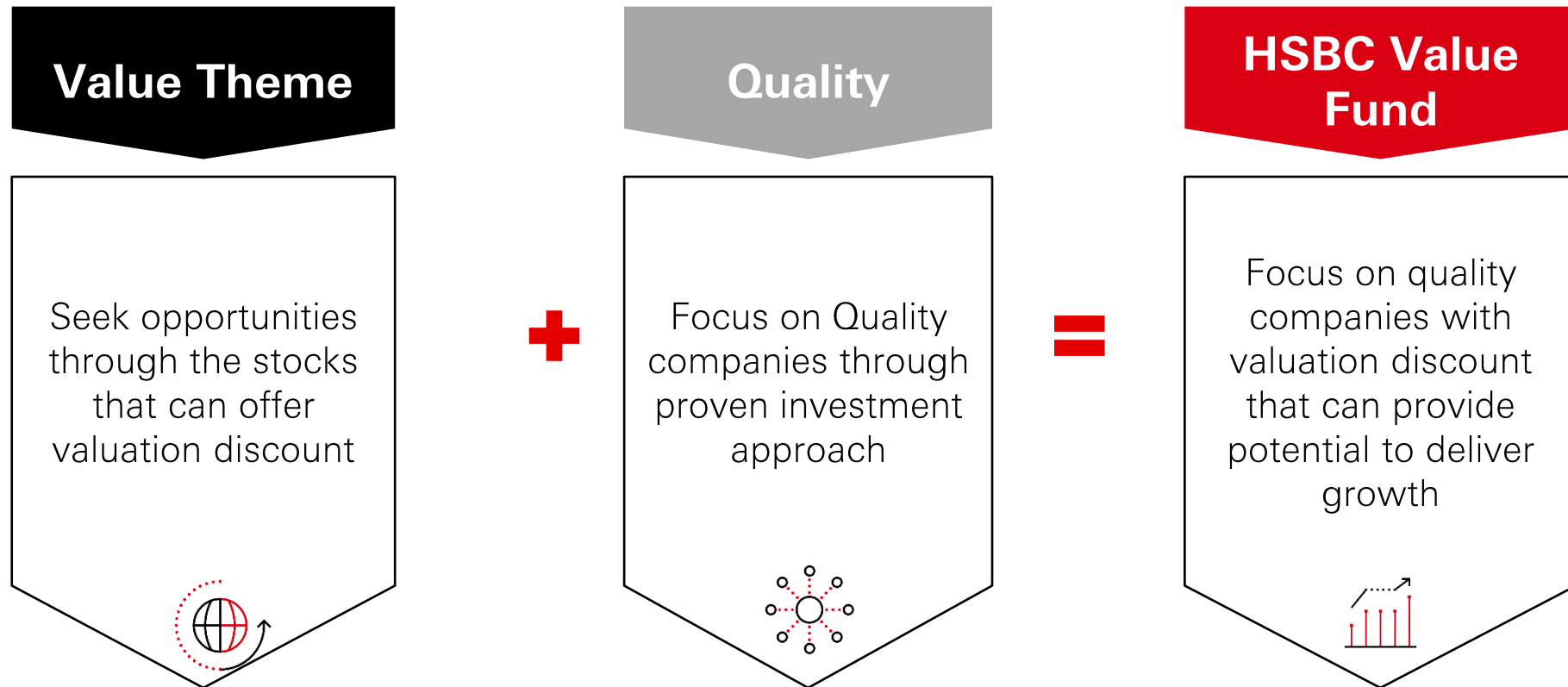
Large and S&P BSE 200 - Price to Earnings (PE)



Large and S&P BSE 200 - Price to Book (PB)



Source: Bloomberg, data as on September 29, 2023  
Investment involves risks. Past performance is not indicative of future performance,



HSBC Value Fund aims to offer alpha generation in the long run

## Bottom-up

Adopts a bottom-up stock selection approach with focus on valuations to spot businesses whose stocks have a potential to deliver performance over medium to long term

## Reduce risk

Aims to invest in stocks with adequate margin of safety to reduce risk in a volatile market environment

## Investments across market spectrum

Complete flexibility to invest across market cap segments and sectors, thus allowing it to capitalise on investment opportunities across market spectrum without any restrictions

## Investing factors

For assessing the value of a stock, the Fund Manager typically assesses various parameters such as growth potential, cash flows, dividend payouts, subsidiary valuations, sum of the parts, etc

## Valuations

The Fund Managers looks at valuation of a stock vis-à-vis its (a) earning growth prospects, (b) historical long period valuation, and (c) relative valuation compared to peers

## Risk management

Robust risk management framework - a well diversified portfolio with focus on managing liquidity and other portfolio risks

**Prefer companies with differentiated business models which can act as moats to ensure growth trajectory**

# Current Portfolio Strategy – HSBC Value Fund

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HSBC Value Fund - An open ended equity scheme following a value investment strategy

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM <sup>&amp;</sup>
Value	Venugopal Manghat, Gautam Bhupal <sup>^</sup> and Sonal Gupta <sup>#</sup>	Nifty 500 TRI	8 Jan 2010	Rs. 9519.43 Cr

- The Fund has a decent performance track record, and its active investment style aim to offers long term appreciation.
- The Fund's emphasis on owning stocks with adequate margin of safety and identifying valuation anomalies versus the economic potential of the business over the medium term
- Aims to minimize portfolio risk by investing in quality companies, monitoring corporate fundamentals closely
- As earnings growth recover, value focused strategy could not only benefit from higher earnings growth but also on account of re-rating of stocks

Portfolio	% of net assets
ICICI Bank Limited	4.63%
NTPC Limited	4.34%
Jindal Stainless Limited	3.69%
State Bank of India	3.63%
The Federal Bank Limited	3.32%
KEC International Limited	2.71%
Larsen & Toubro Limited	2.63%
ITC Limited	2.58%
Axis Bank Limited	2.53%
Mahindra & Mahindra Limited	2.43%

<sup>1</sup> As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark effective from 01 December 2021. <sup>#</sup> Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

<sup>^</sup> Managing since October 01, 2023. Please refer notice cum addendum dated September 29, 2023.

<sup>&</sup> For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website: <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-library#&accordion1446811090=4>

**Note:** The above information is for illustrative purposes only. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).

Source – HSBC Mutual Fund, Data as of 30 September 2023. **Past performance may or may not be sustained in the future and is not indicative of future results.**

Value Fund - An open ended equity scheme following a value investment strategy

## Why HSBC Value Fund?

- To seek an exposure to value style companies
- Aim to identify undervalued stocks having a potential to deliver long term risk-adjusted returns
- Aim for long term capital appreciation
- To create a corpus by generating inflation-adjusted returns to cater to long-term goals

Sector - Allocation	% of net assets
Banks	22.33%
IT - Software	8.91%
Construction	7.09%
Industrial Products	5.45%
Ferrous Metals	4.63%
Power	4.34%
Automobiles	3.80%
Cement & Cement Products	3.77%
Realty	3.48%
Electrical Equipment	3.44%

## Fund Philosophy

- Diversified equity fund with value bias that aims to deliver long term risk adjusted returns
- Focus on identifying valuation anomalies versus the economic potential of the business over the medium term
- Aims to minimize portfolio risk by investing in quality companies, monitoring corporate fundamentals closely
- The fund aims to invest in fundamentally robust companies that the fund manager believes are trading at less than their assessed values thus endeavoring to capture their higher upside potential
- This approach not only helps in identifying undervalued stocks but also factor-in the risk elements while picking stocks

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**Source –** HSBC Mutual Fund, Data as of 30 September 2023

## Performance across calendar years

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HSBC Value Fund performance track record across market cycles

Calendar Year	HSBC Value Fund - Reg – Growth (%)	*Nifty 500 TRI (%)	*Nifty 50 TRI (%)
2013	6.6	3.9	7.2
2014	74.1	39.1	32.9
2015	12.9	0.0	-3
2016	8.1	4.7	4.2
2017	40.3	37.7	30.3
2018	-11	-1.6	5.6
2019	4.6	8.6	13
2020	14.6	17.7	16
2021	40.3	31	25.3
2022	5.3	4.2	5.7

The table shows calendar year wise performance of the Fund vis-à-vis its benchmark Nifty 500 TRI Index and additional benchmark Nifty 50 TRI

Source: MFI Explorer. \*Benchmark: S&P Nifty 500 TRI \*\*Additional Benchmark - Nifty 50 TRI

Past performance may or may not sustain and doesn't guarantee the future performance. Note: Calendar year is Jan 1 to 31 Dec for each year.



# Performance in standard and SEBI format

Fund Manager - Venugopal Manghat Effective 24 Nov 2012. Total Schemes Managed – 7  
Fund Manager - Gautam Bhupal Effective 01 Oct 2023. Total Schemes Managed – 12  
Fund Manager - Sonal Gupta Effective 05 Jul 2021. Total Schemes Managed - 15

Lump Sum Investment Performance									Inception Date
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		
	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	
HSBC Value Fund-Regular	13201	32.11	21549	29.19	21697	16.74	75167	15.82	08-Jan-10
Scheme Benchmark (Nifty 500 TRI)	11763	17.69	19118	24.14	20029	14.89	45843	11.73	
Additional Benchmark (Nifty 50 TRI)	11606	16.11	18099	21.89	19060	13.75	44243	11.44	

PTP returns – Point to Point returns. | As per clause 5.9.1 of the SEBI Master Circular dated May 19, 2023 the scheme returns vis-à-vis the benchmark return (Total Return Index) shall be disclosed are provided from the date of allotment of units. | IDCW are assumed to be reinvested and Bonus is adjusted.

SIP Performance HSBC Value Fund – Reg					Inception Date: 08-Jan-10
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1640000	
Market Value as on September 29, 2023 (₹)	143,055	506,597	1,048,078	5,997,601	
Scheme Returns (%)	37.84	23.57	22.53	17.42	
Nifty 500 TRI - Scheme Benchmark (₹)	133,948	456,220	937,653	4,562,290	
Nifty 500 TRI - Scheme Benchmark Returns (%)	22.46	16.06	17.93	13.90	
Nifty 50 TRI - Additional Benchmark (₹)	129,903	440,641	892,672	4,278,009	
Nifty 50 TRI - Additional Benchmark Returns (%)	15.80	13.62	15.92	13.07	

For SIP returns, monthly investment of Rs.10,000 invested on the 1st day of every month has been considered. SIP Return are calculated on XIRR basis.

As per clause 5.9.1 of the SEBI Master Circular dated May 19, 2023 the scheme returns vis-à-vis the benchmark return (Total Return Index) shall be disclosed are provided from the date of allotment of units.

The performance details provided herein is of Regular Plan - Growth Option. Returns on ₹10,000 are point-to-point returns for the specific time period, invested at the start of the period. The returns for the respective periods are provided as on last available NAV of September 2023 for the respective Schemes. Returns for 1 year and above are Compounded Annualized. Returns for less than 1 year is Simple Annualized. Load is not taken into consideration for computation of performance. Different plans shall have a different expense structure. The expenses of the Direct Plan under the Scheme will be lower to the extent of the distribution expenses / commission charged to the Regular Plan. Considering the varying maturities of the close ended schemes, the performance of close-ended schemes is not provided as it is strictly not comparable with that of open-ended schemes.

Post merger performance of the surviving scheme, arising out of merger of schemes with similar features, is computed as per the provisions of clause 13.4 of the SEBI Master Circular dated May 19, 2023 on Disclosure of Performance of Schemes post-merger using the weighted average performance of both transferor and transferee schemes. In other cases, performance is computed using the Applicable NAV of the surviving/continuing schemes.

**Past performance may or may not be sustained in the future.**

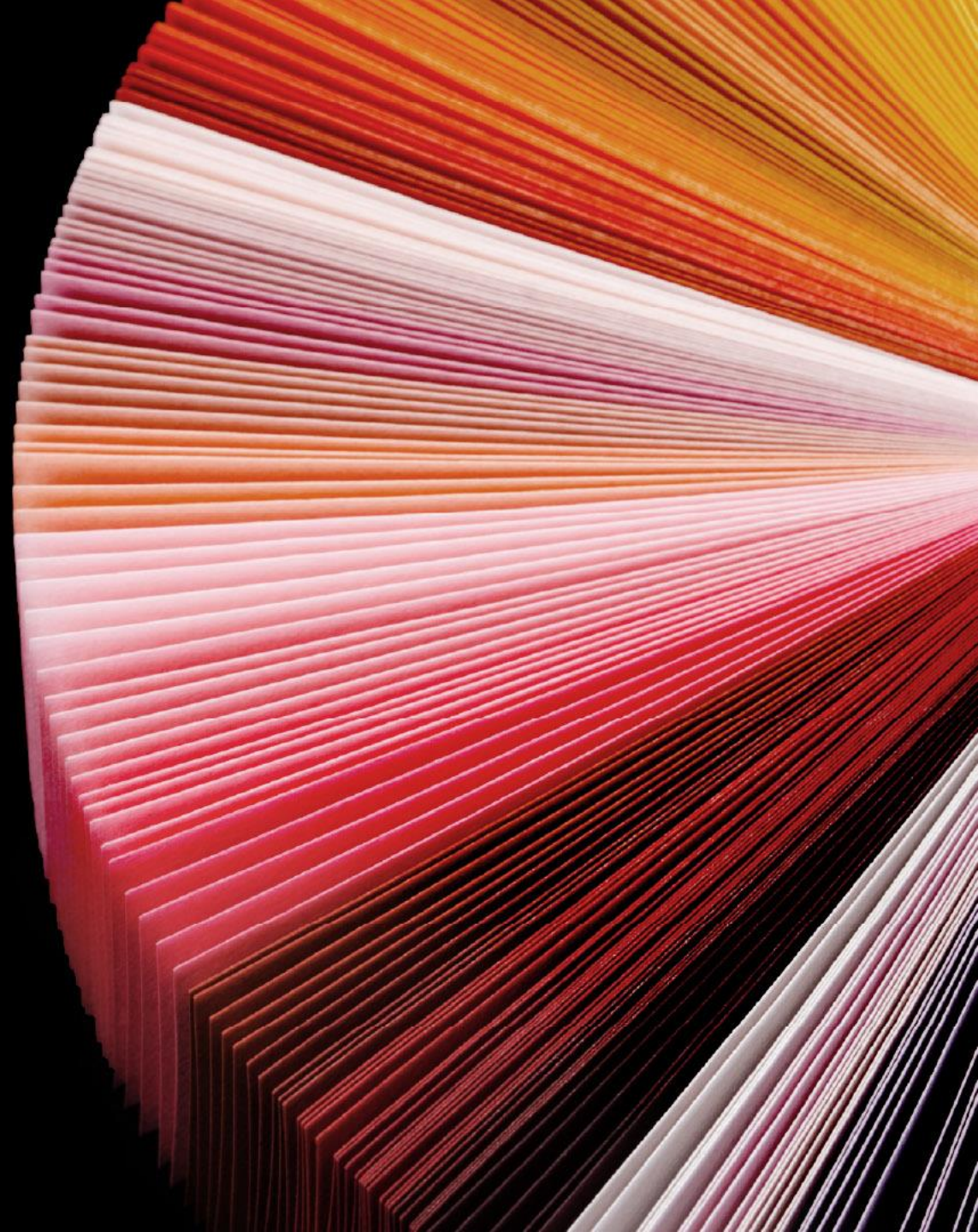
[Click here](#) to check other funds performance managed by the Fund Manager

**Past performance may or may not be sustained in the future.** Source: HSBC Mutual Fund, data as on 29 September 2023

Note - Sector specific information provided above should not be considered as investment advice. Past performance may or may not be sustained in future.

**HSBC Mutual Fund**

Equity Investment Process



# Stocks Coverage

**450+ companies\* covered across sectors & market caps**

Large Cap  
Stocks  
coverage -  
95%\*

Mid Cap  
Stocks  
coverage -  
95%\*

Small Cap  
Stocks  
coverage –  
75%\*

Sectors - Auto & Auto comps, Pharma & Healthcare, Paints, Media, Textiles, Consumer Staples, Consumer Discretionary, Durables and bldg materials, Real Estate, O&G Sugar Telecom, Capital Goods, Power & infra, Logistics, Tech Services, Metals, Cement, Banks and lenders, Financial services, Chemical and Paper

\*Large Cap: top 100 stocks on full market capitalisation basis; Mid caps - next 150 stocks based on full market capitalization; Small Cap: Stocks in 251st onwards based on market capitalization.

Source: HSBC Mutual Fund. Data as on September 30, 2023

# Stocks Coverage

**450+ companies\* covered across sectors & market caps**

GICS classification - Sectors	Stocks in Coverage	Stocks in NIFTY 500 Index	% of Coverage
Financials	70	84	83%
Information Technology	28	34	82%
Materials	73	87	84%
Consumer Discretionary	72	79	91%
Energy	11	11	100%
Consumer Staples	26	33	79%
Industrials	71	79	90%
Health Care	48	49	98%
Utilities	14	17	82%
Communication Services	13	17	76%
Real Estate	11	11	100%
Total	437*	501	87%

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Source: HSBC Mutual Fund; \*437 companies from NIFTY 500 Index; remaining outside NIFTY 500 Index. Data as on September 30, 2023.

# Equity - Investment Approach

Guiding principles that drive Investment philosophy and approach

## Investment mandate

- Ensures that the fund manager adheres to the investment style stated in the prospectus

## Active fund management

- Focus and conviction on long-term business fundamentals
- Coupled with disciplined yet active fund management generate long-term performance

## Research based stock selection

- Focus is on identifying stocks with
  - Strong business fundamentals,
  - Better growth prospects and
  - Undervalued relative to their intrinsic worth

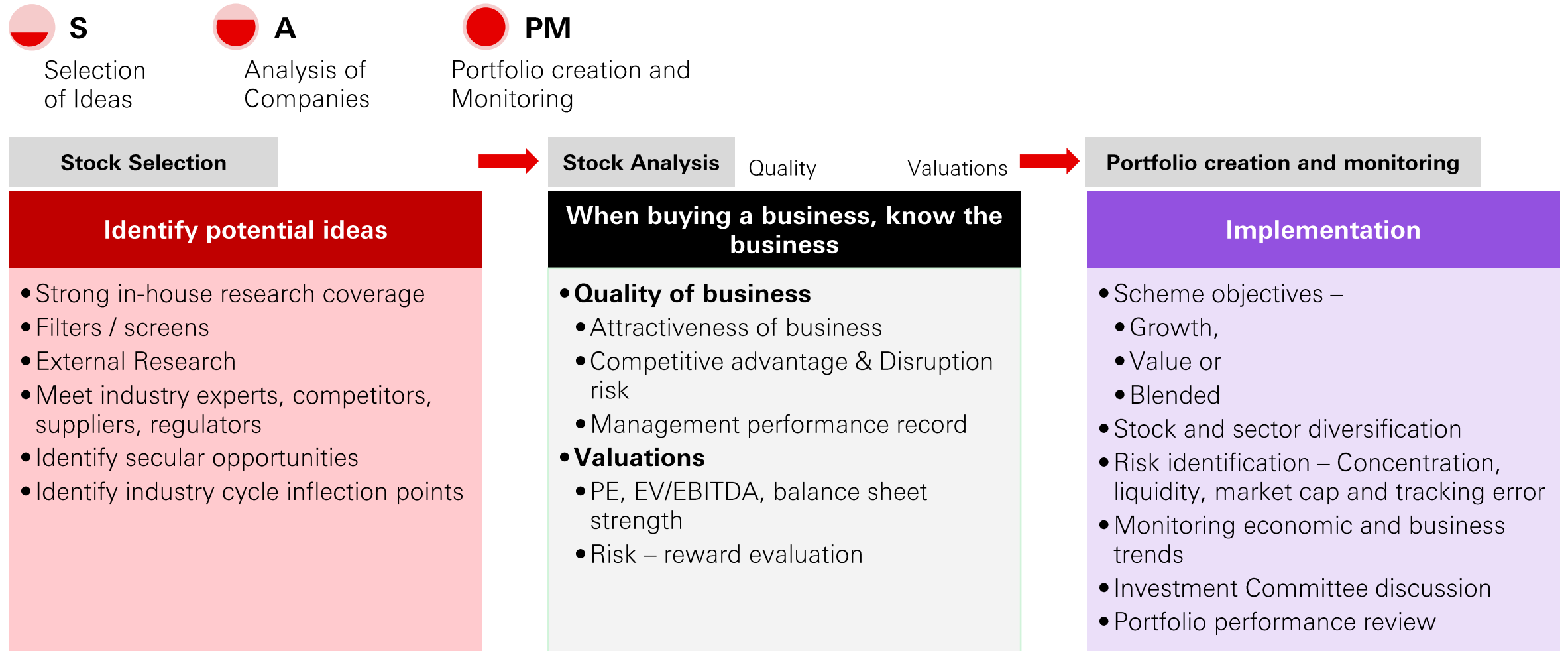
## Robust risk management

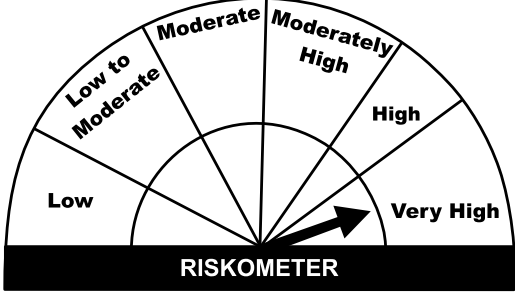
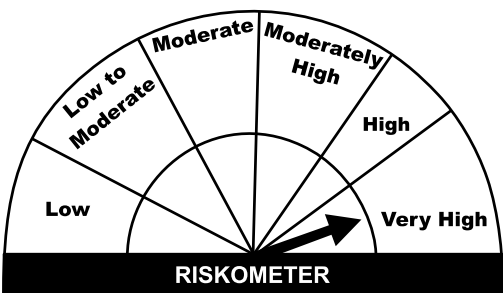
- A robust framework for evaluating, monitoring and managing various risks are an integral part of the investment process



# Equity - Investment Process

Power of SAPM - Equity investment process comprises three stages



Scheme name and Type of scheme	*Riskometer of the Scheme	Riskometer of the benchmark
<p><b>HSBC Value Fund (Erstwhile L&amp;T India Value Fund) - Value Fund - An open ended equity scheme following a value investment strategy.</b></p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"><li>• Long term capital appreciation</li><li>• Investment predominantly in equity and equity-related securities in Indian markets and foreign securities with higher focus on undervalued securities.</li></ul> <p><b>(Benchmark : NIFTY 500 TRI Index)</b></p>	 <p>Investors understand that their principal will be at Very High risk</p>	

\* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Riskometer is as on September 30, 2023, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

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