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other sector in India.

## HSBC Financial Services Fund

(An open-ended equity scheme investing in financial services sector)

NFO Period: 6 - 20 February 2025

Source of map: [www.surveyofindia.gov.in](http://www.surveyofindia.gov.in)

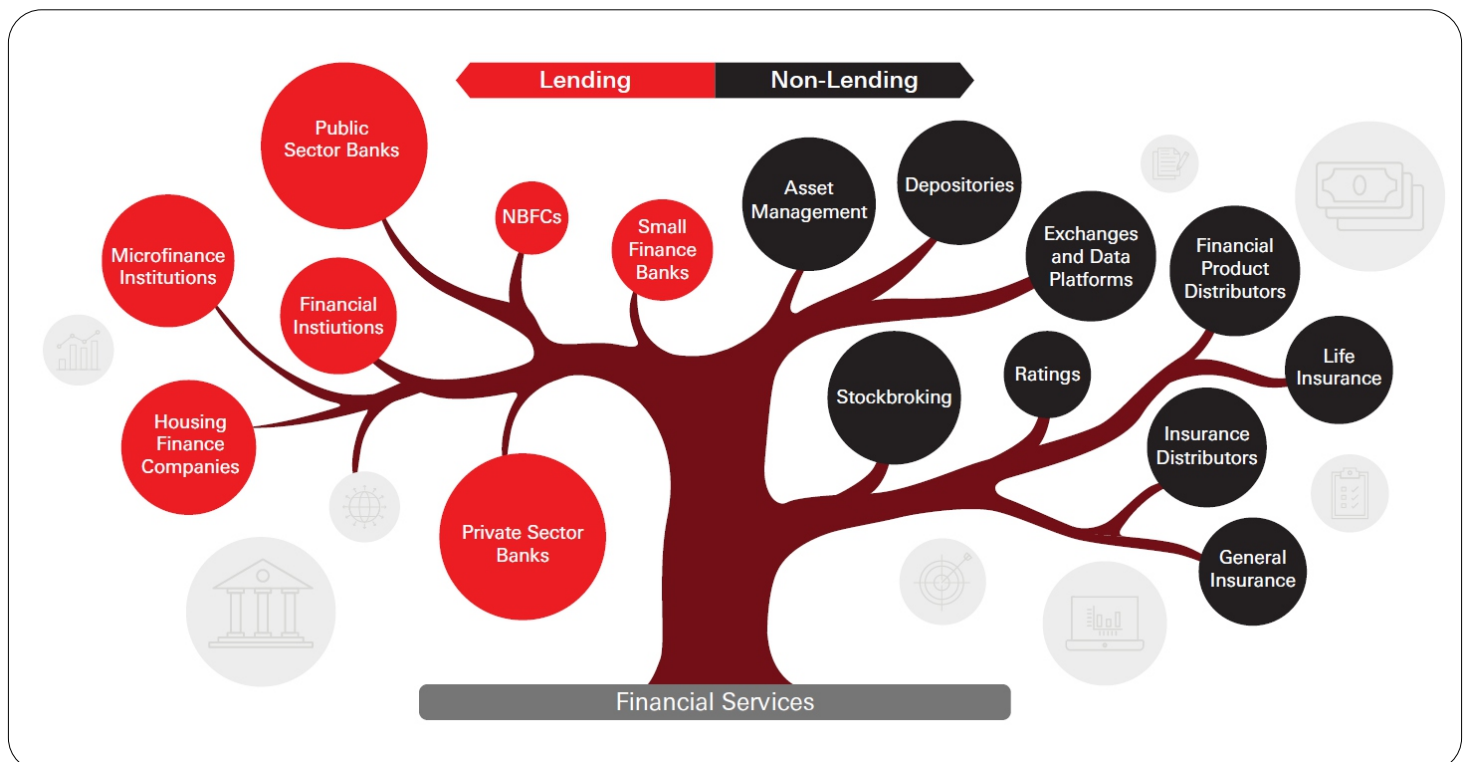
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### 1. What are the sub sectors covered under Financial Services theme?

Financial services theme has two major segments Lending and Non-lending under which below major sub-sectors are available.



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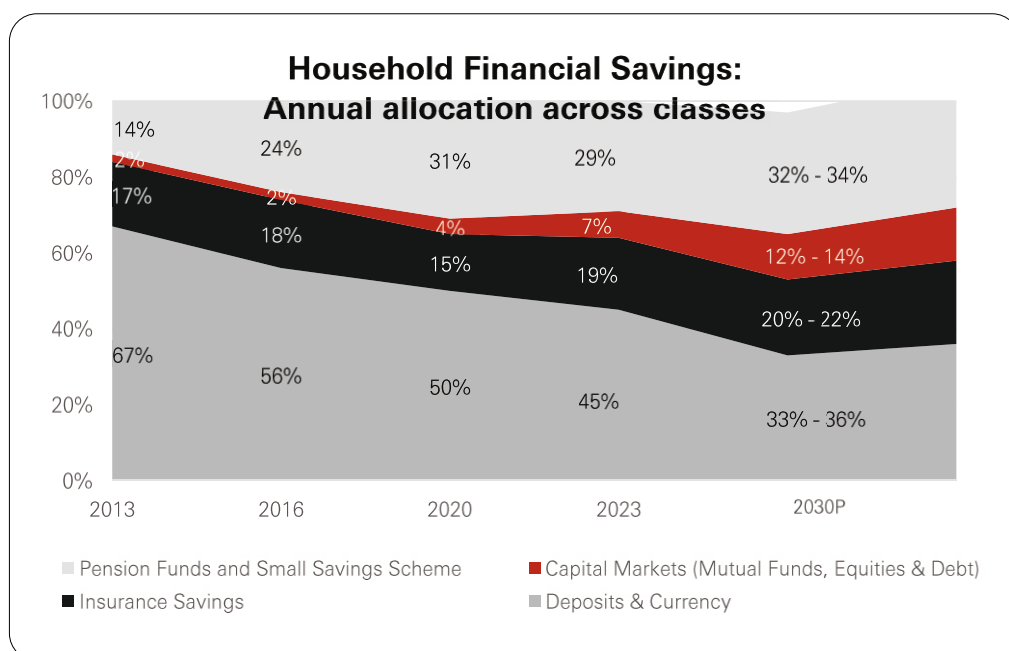
## 2. Why Financial Services theme has favorable investment scenario in India?

India's Financial sector is expected to grow 2x of GDP to achieve the Viksit Bharat ambition. The Financial assets expected to grow 18x by 2047 compared to the year 2023. India's banking industry will need to add \$4tn in capital in the next 2 decades to create the multiplier effect to reach the Viksit Bharat GDP target #.



Source: RBI, Financial Stability Board, World Bank, Federal Reserve, Bundesbank, BCG analysis, # FICCI-IBA-BCG report titled 'Banking for a Viksit Bharat', HSBC Mutual Fund. Note: 1. 2023 numbers for US, China and <sup>^</sup> 2022 for Germany basis respective year's Financial Stability Board report. Map of India is used for illustrative purpose only and is not a political map of India. P – Projected. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

- Indian households are incrementally channelizing their savings into productive assets. The share of financial assets within the overall mix has been increasing.
- With better data on credit patterns from bureaus and behavioral changes of Millennials and Gen Z, we see borrowings increasing starkly over the past 5 years.



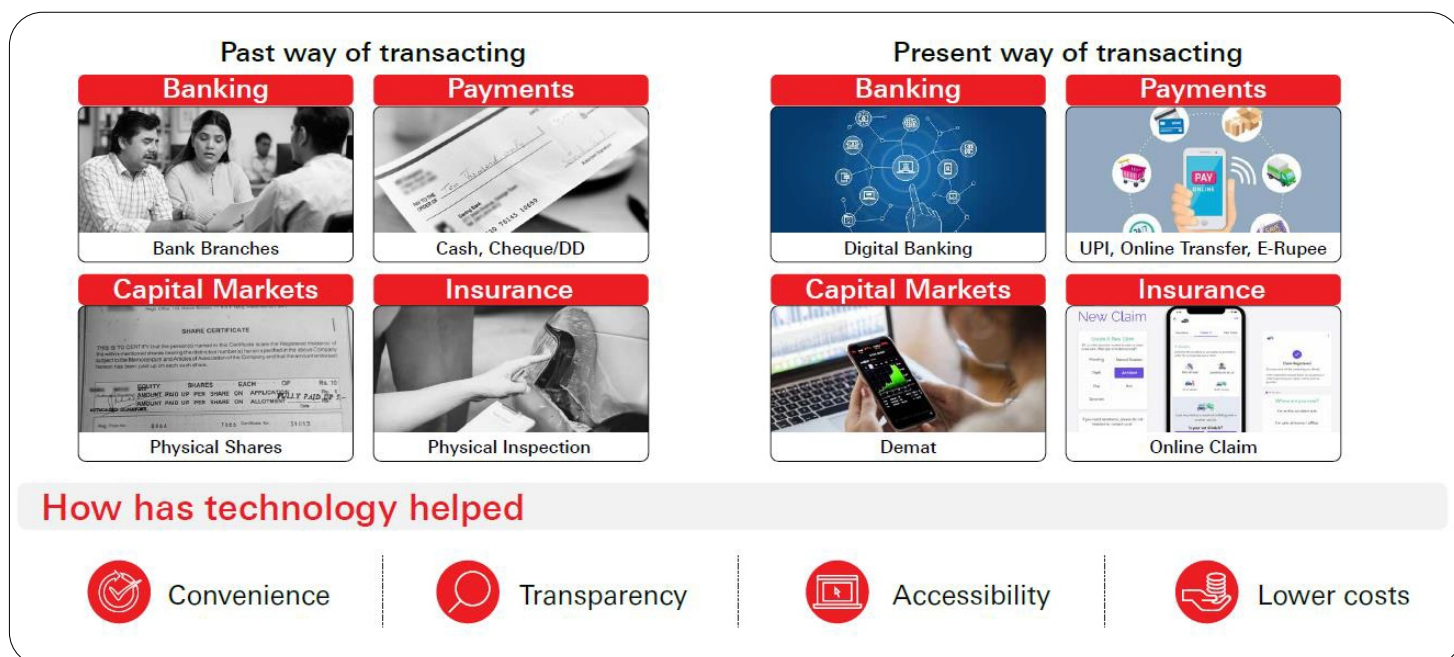
Sources: RBI, MoSPI, NSE, AMFI, NPS Trsu, Tracxn, BCG analysis. Note: 1. HH – Household 2. Physical assets include savings in gold and silver ornaments. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

This kind of robust growth is favorable for companies in the segment, and it can make the Financial Services theme appealing from an investment perspective.

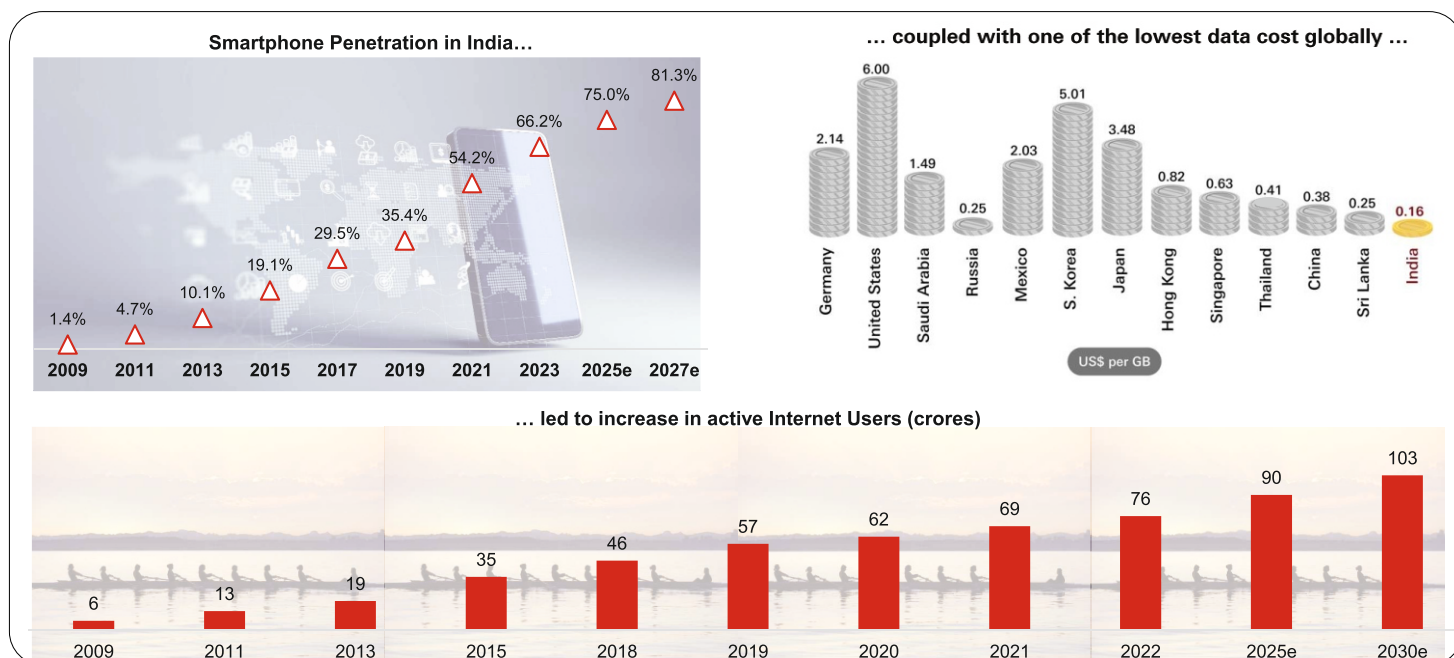
### 3. Which are the enablers for growth of Financial Services theme?

We have identified below four major enablers for robust growth in Financial Services theme potentially.

A] Technology has reformed the financial landscape



B] Backbone on which the financial ecosystem revolutionized



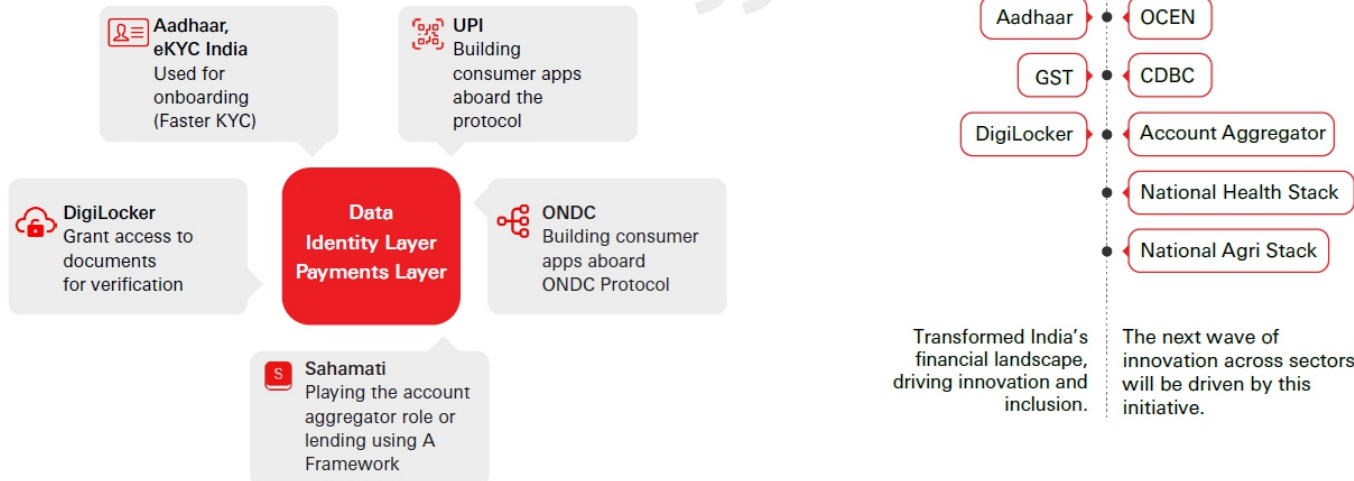
Source: TRAI, Cable.co.uk, Kantak / JM Financial & Beams Fintech Analysis Report.



## C] Government initiatives have accelerated the pace of growth in the sector

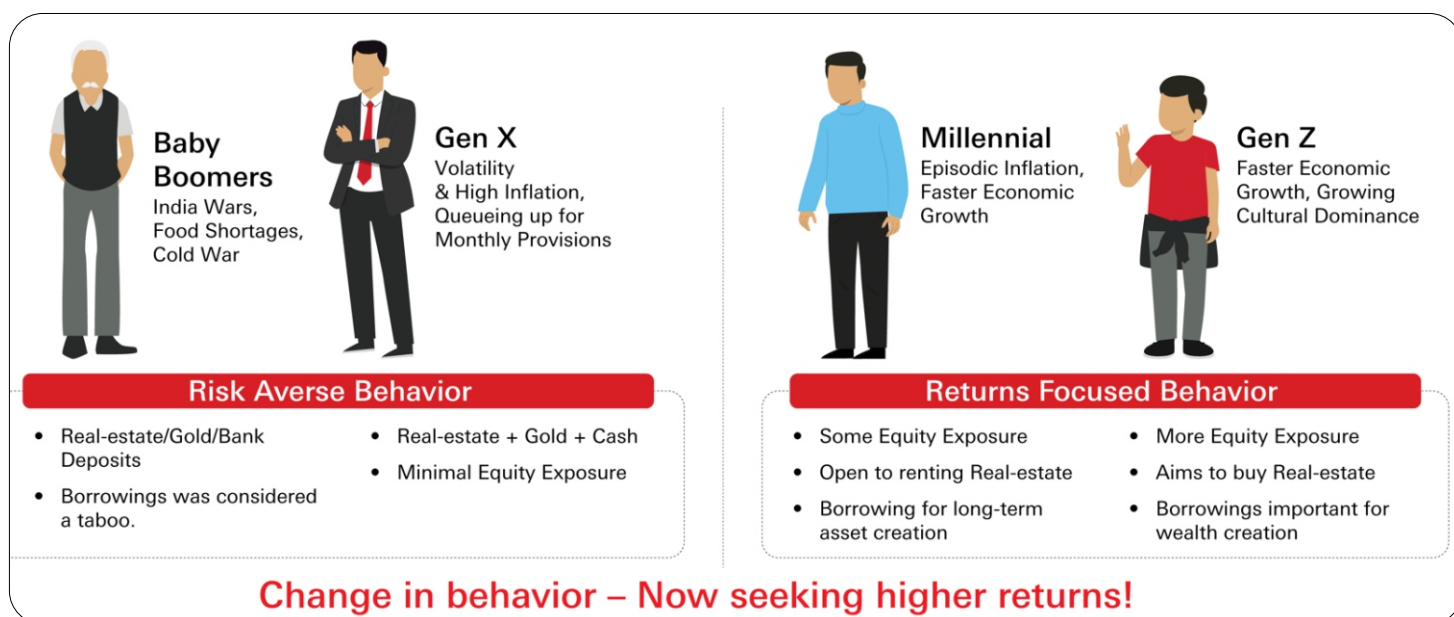
It took us 6 years to get to our first 60k customers, each of whom had to sign and courier 40+ pages of forms and wait for days. We got to 1 crore customers in the next 6 years, entirely eliminating paper in the process. This was enabled by eKYC, digital signatures (esigns) and digital documents (Digilocker)”

– Founder & CEO at leading online brokerage firm



Sources: Beams Internal analysis, HSBC Mutual Fund.. The above information is for illustrative purposes only. UPI - Unified Payments Interface, ONDC - Open Network for Digital Commerce, OCEN - Open Credit Enablement Network, CDBC - Central bank digital currency, DPI – Digital Public Infrastructure. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

## D] Clear shift in behavior of Millennials and Gen Zs



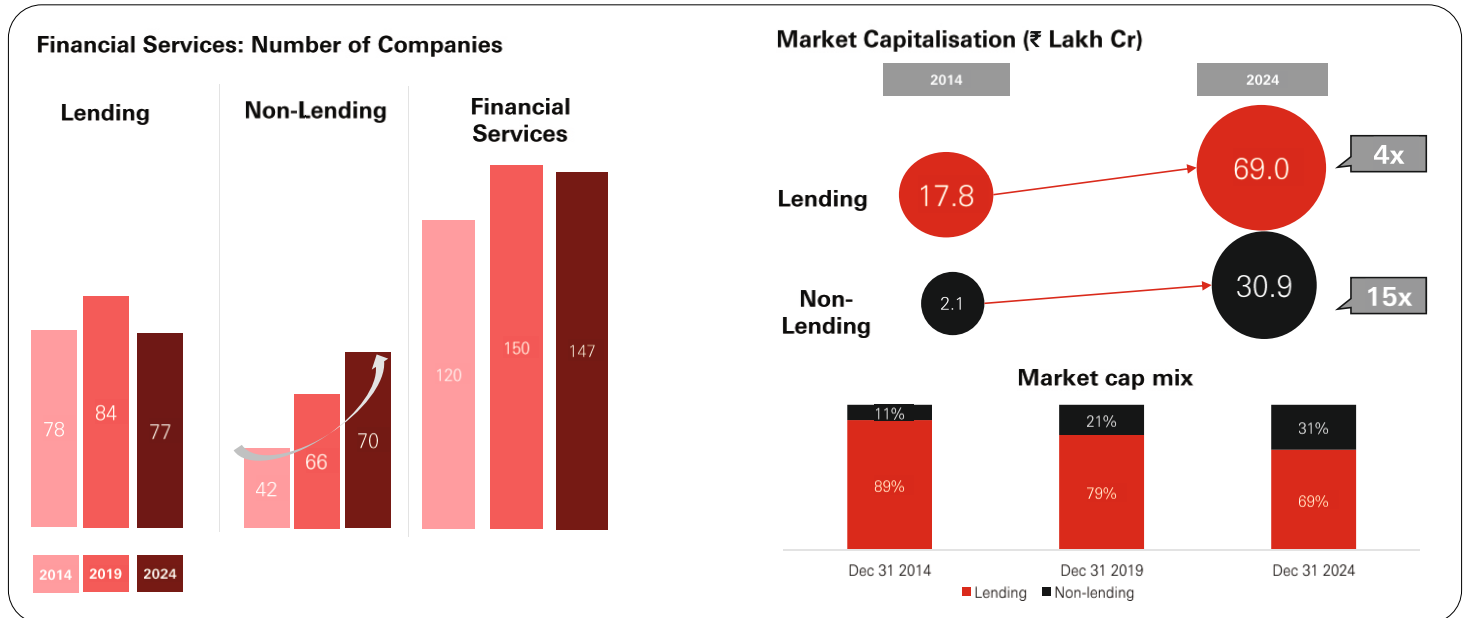
Sources: Bernstein analysis, HSBC Mutual Fund.



#### 4. What is the state of the Non-Lending investment universe?

##### Depth and breadth of non-lending universe will continue to expand

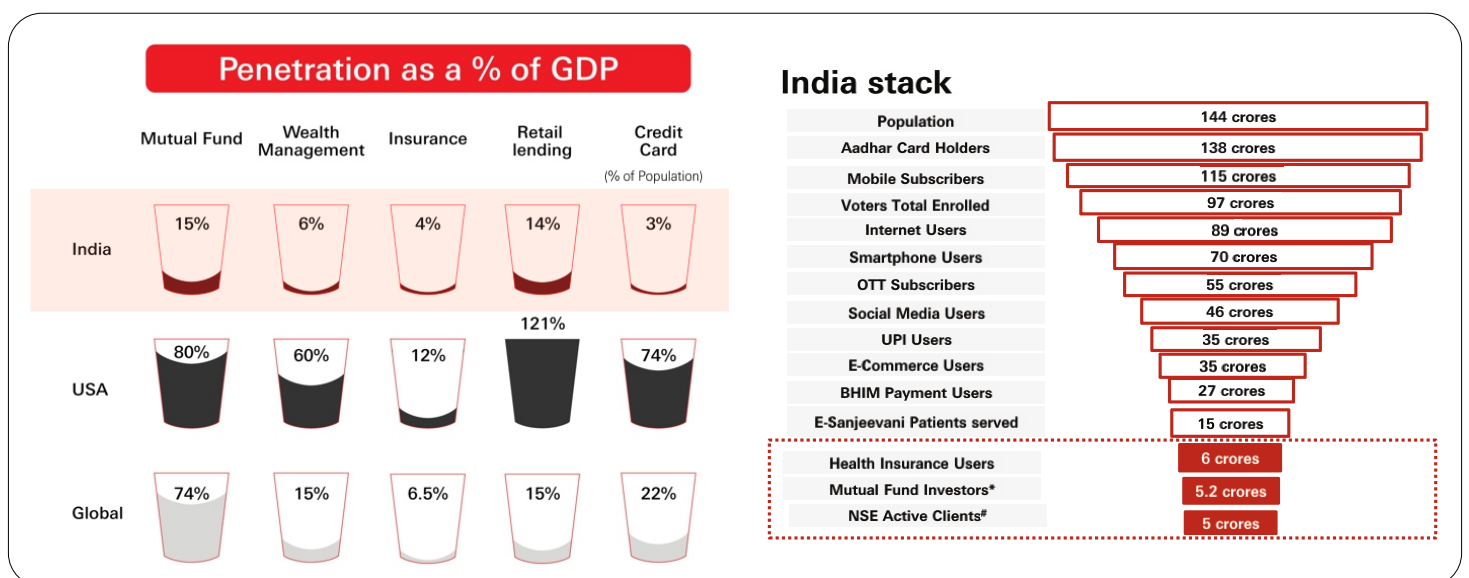
Non-Lending has almost one-third weight in Financial Services vs almost one-tenth earlier



Source: Bloomberg, HSBC Mutual Fund. Universe for above analysis is Top 1000 listed NSE companies by market cap during 3 different time periods – 31 December 2014, 31 December 2019 and 31 December 2024. The data represented above is only for Financial Services sector companies within these Top 1000 and change in number of companies and market cap over past 10 years. We have then divided Financial Services companies into Lending/ Non-lending based on their business attributes.

#### 5. Why Financial services products have scope for growth?

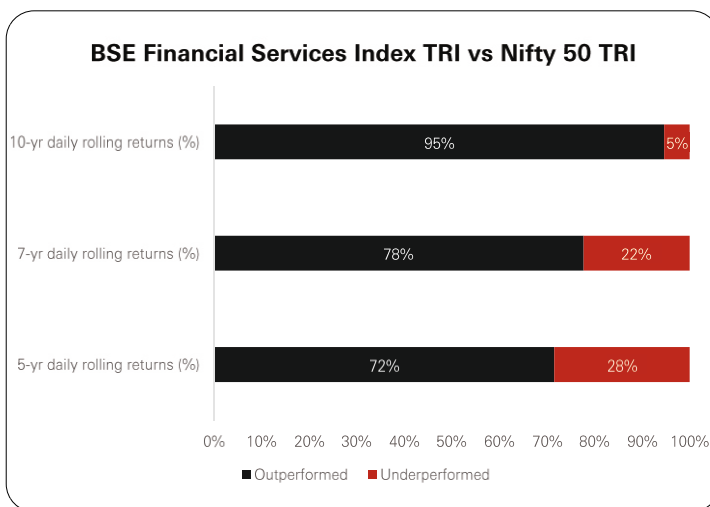
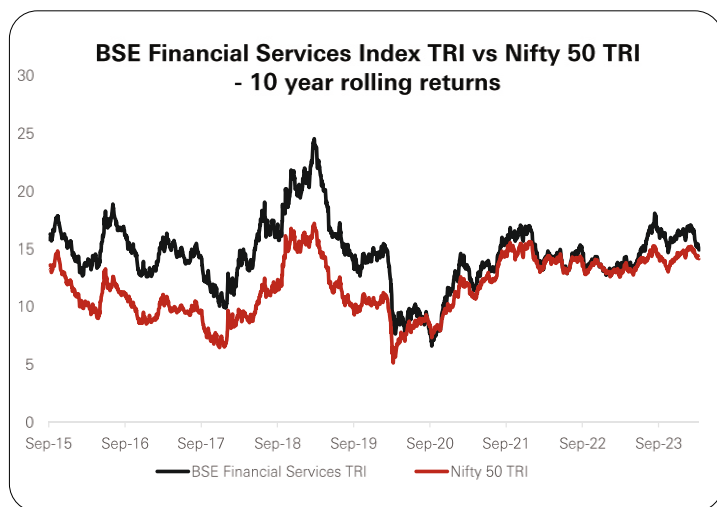
Financial services products still have low penetration in India and this offers scope for significant growth over the long term.



Source: Beams Fintech Internal analysis, RBI report, AMFI, NSE, SEBI, HSBC Mutual Fund. # Data as at December 2024, \* Data as at November 2024 as latest available.

## 6. How is the performance of Financial services indices?

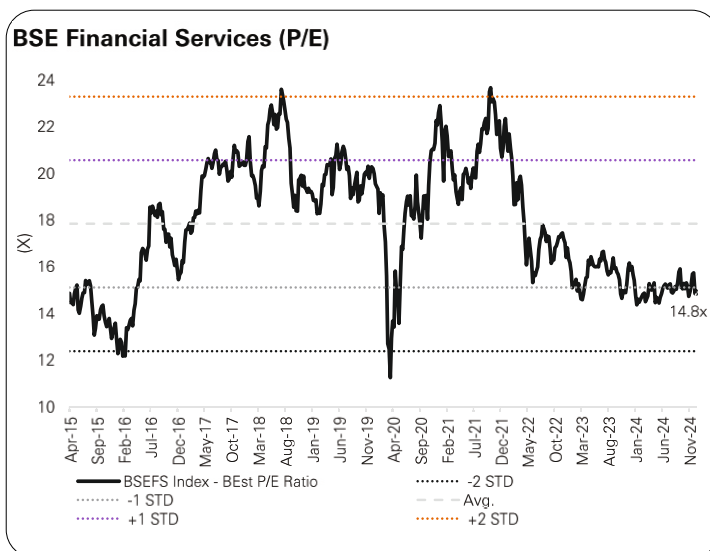
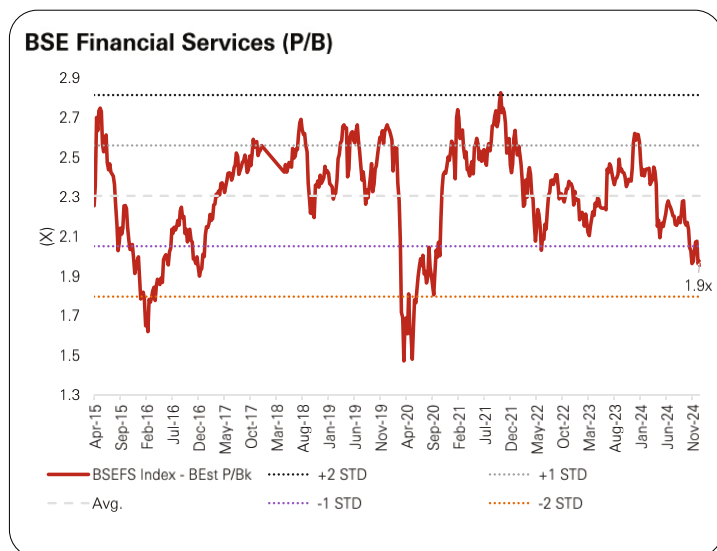
Financial Services has consistently outperformed across periods. BSE Financial Services TRI Index has outperformed 95% of the times to the broader Nifty 50 TRI Index



Source: MFI Explorer, HSBC Mutual Fund. The above details provided basis on sourced information 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

## 7. What is the view on Financial Services Index valuations?

Financial Services Index is trading at 1SD below averages, both on P/E and P/B basis, offering attractive risk-reward.

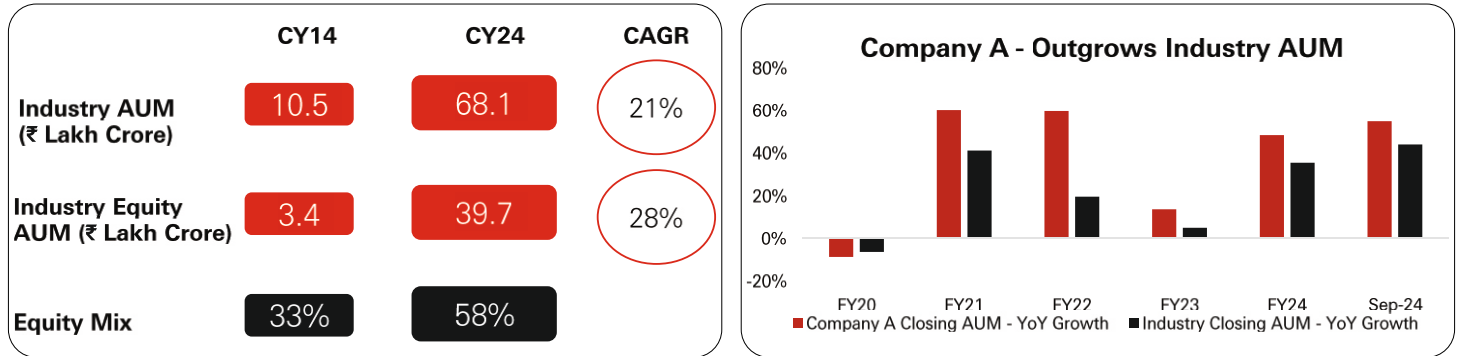


Source: Bloomberg, Data as at Dec 2024. Note: P/E and P/B is calculated on the basis of Standalone/ Parent Financial Statements. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

## 8. Can you give some examples from Financial Services sector?

Here we have given some examples from the Financial Services sector.

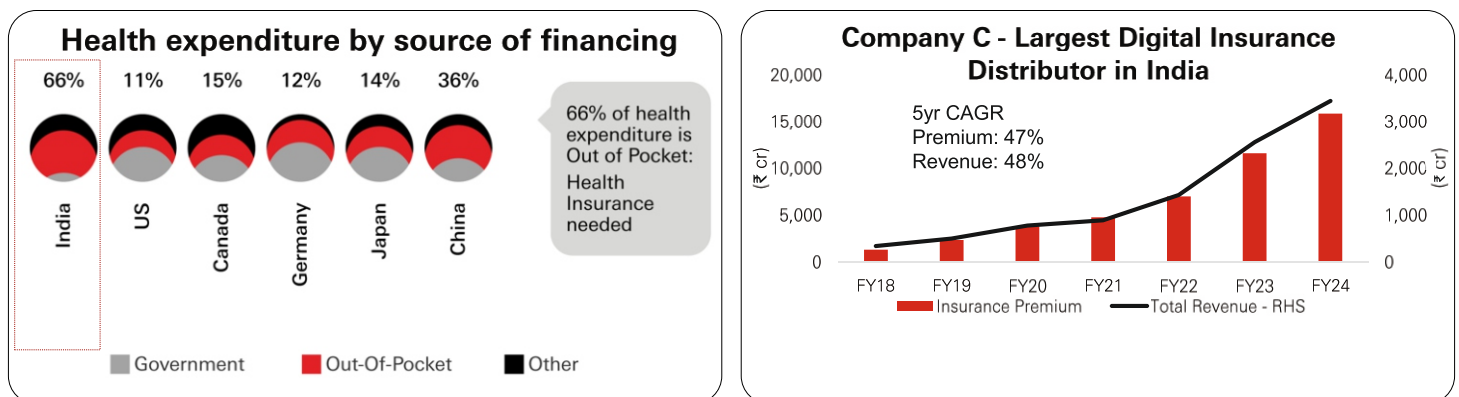
### #1) Financial Products Distributor to reap the benefit from Financialisation of Savings



Sources: AMFI, SEBI, Ace Equity, Bernstein Research, Data as on January 06, 2025. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

### #2) Insurance under-penetration remains key theme for sector's growth

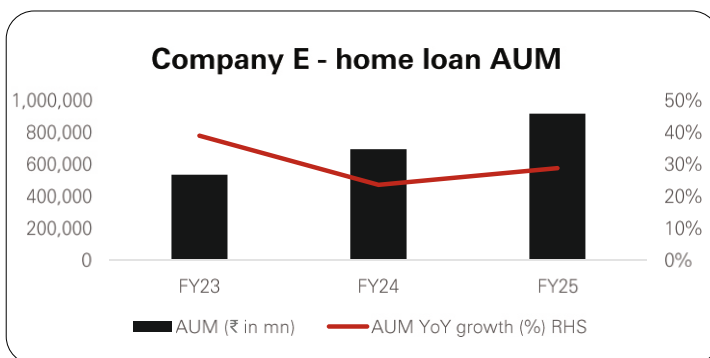
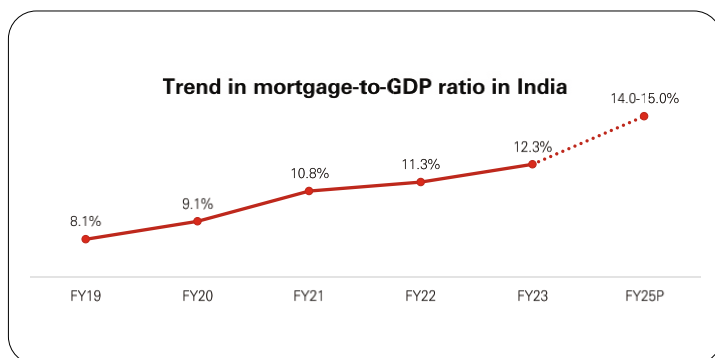
India continues to have one of the widest protection gap



Sources: Swiss Re Report on Health Protection Gap, OECD, Mortality Protection Gap Figures are as of 2023, Swiss Re Report on Sigma Restoring Resilience, Ace Equity, ^ (Protection required minus life coverage, Data as on January 06 2025. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.



### #3) Housing finance segment should continue to witness strong growth



Note - P - Projected. Data for mortgage to GDP for India includes both Housing loans outstanding over constant GDP for India, Source - NHB, World Bank, CRIF Highmark, CRISIL MI&A estimates, Company data, HSBC Mutual Fund. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

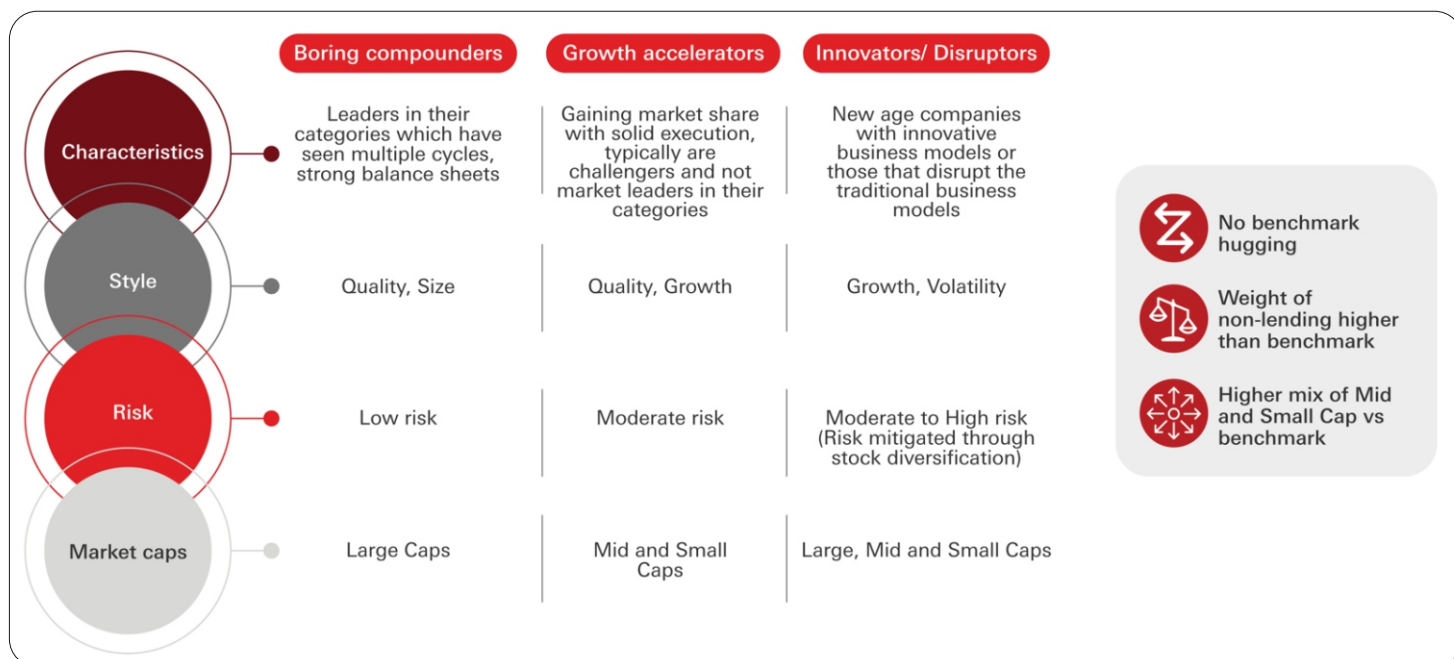
## 9. What is the HSBC Financial Services Fund is all about?

HSBC Financial Services Fund aims to bring together two powers i.e. Lending and Non-lending segments in one fund. The investment objective of the scheme is to generate long-term capital appreciation from a portfolio that is invested predominantly in equity and equity related securities of companies engaged in financial services businesses. There is no assurance that the investment objective of the scheme will be achieved.



Source – HSBC Mutual Fund, Refer to the Scheme Information Document (SID) of HSBC Financial Services Fund for more details. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

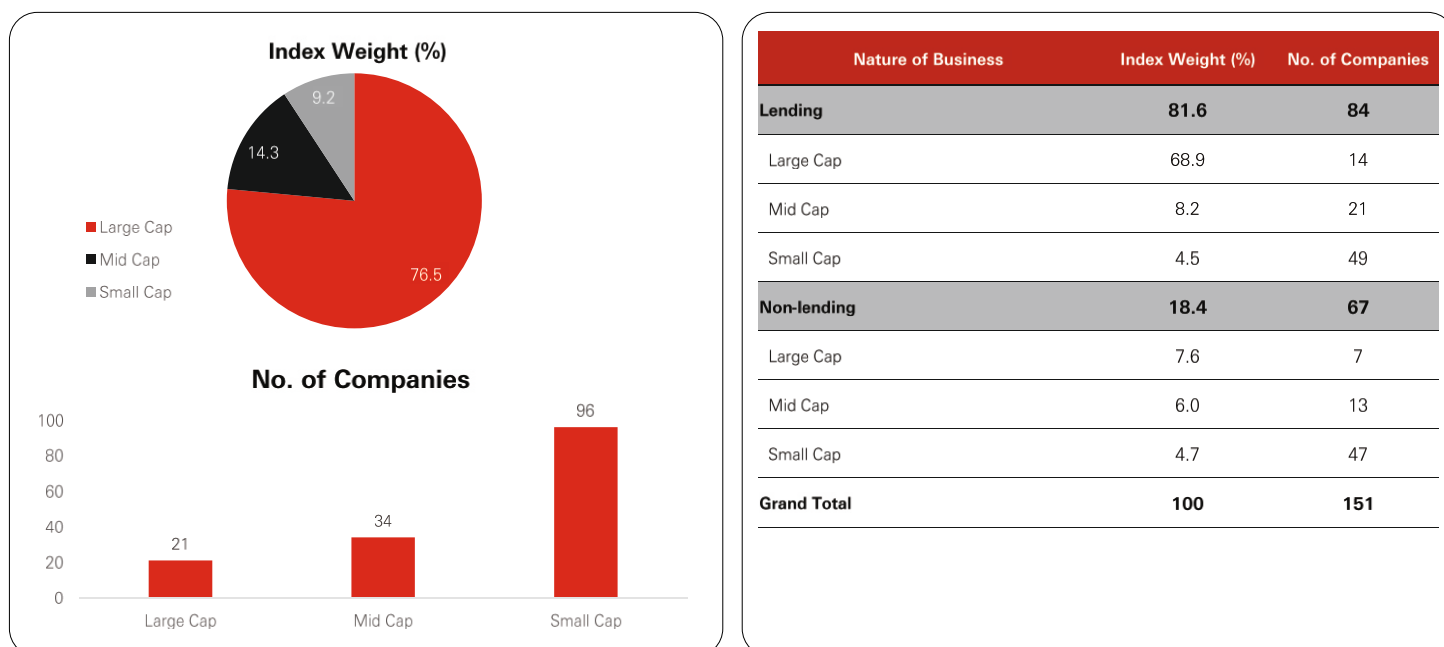
## 10. What is the Portfolio Construction approach of the HSBC Financial Services Fund?



## 11. What is the Benchmark of HSBC Financial Services Fund and Composition of the benchmark?

Benchmark of the scheme is BSE Financial Services Index TRI.

Benchmark composition – BSE Financial Services Index as follows :



Sources: HSBC Mutual Fund analysis, BSE Financial Services Index constituents as of 31 December 2024.

## 12. What is the Investment Approach of this Fund?

HSBC Financial Services Fund (An open-ended equity scheme investing in financial services sector). The aim of the scheme is to generate long-term capital appreciation from a portfolio that is invested predominantly in equity and equity related securities of companies engaged in financial services businesses.

Financial Services Sector companies may include:

Banks & Non-Banking Financial Institutions	Stock Broking & Allied Entities	Asset Management Company(s)	Depositories	Credit Rating Agencies	Clearing Houses and Other Intermediaries
Financial Technology (Fintech), Exchanges and Data Platforms	Investment Banking Companies	Wealth Management Entities	Distributors of Financial Products	Insurance Companies – General, Life	Microfinance, Housing Finance and payment companies

Companies engaged in the Financial Services sector from Sector list provided by AMFI / SEBI in Industry Classification data or other financial services as identified by Fund Manager, etc.

Source: HSBC Mutual Fund, Note - Please refer Scheme Information Document (SID) for more details on Investment Approach and other details. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

## 13. What is the Investment Allocation of HSBC Financial Services Fund?

HSBC Financial Services Fund (An open-ended equity scheme investing in financial services sector)

Under normal circumstances, it is anticipated that the allocation of the Scheme will be as follows:

Instruments	Indicative Allocation (% of total assets)	
	Minimum	Maximum
Equities & Equity related securities of companies engaged in financial services businesses	80%	100%
Other equity and equity related securities	0%	20%
Debt Securities & Money Market instruments (including Cash & cash equivalents, units of Liquid and Overnight mutual funds)	0%	20%
Units of REITs and InvITs	0%	10%

Source: HSBC Mutual Fund, Note - Please refer Scheme Information Document (SID) for more details on Asset Allocation. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.



## 14. What else do we need to know about the Fund?

HSBC Financial Services Fund



(An open-ended equity scheme investing in financial services sector)

### Benchmark (Tier 1)

As per AMFI Tier 1 Benchmark i.e. Benchmark Index : BSE Financial Services Index - Total Return Index (TRI)

### Fund Manager

Gautam Bhupal

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
<b>HSBC Financial Services Fund</b> (An open-ended equity scheme investing in financial services sector) <b>This product is suitable for investors who are seeking*:</b> <ul style="list-style-type: none"> <li>To create wealth over long term</li> <li>Investment predominantly in equity and equity related securities of companies engaged in financial services businesses</li> </ul>	 <p>The risk of the scheme is Very High Risk</p>	As per AMFI Tier I Benchmark i.e. Benchmark Index: BSE Financial Services Index TRI  <p>The risk of the benchmark is Very High Risk</p>

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

The product labelling assigned during the New Fund Offer (NFO) is based on internal assessment of the Scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Refer to the Scheme Information Document (SID) of HSBC Financial Services Fund for more details.

Sources: HSBC Mutual Fund. Bloomberg, Other sources as given above. Refer to the Scheme Information Document (SID) of HSBC Financial Services Fund for more details. 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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