



Invest in the early signs

HSBC Mid Cap Fund

Mid Cap Fund – An open ended equity scheme predominantly investing in mid cap stocks

December 2021

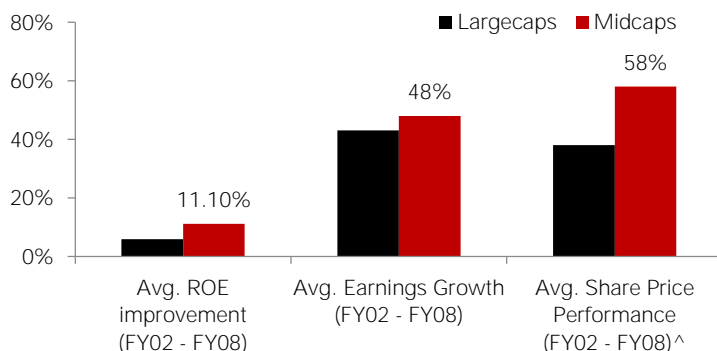
Expansionary Budget, global growth and low cost of capital to propel economy to Expansion phase

- Cost of capital at 20 year lows
- **RBI's** accommodative stance
- Higher global growth and significant rise ahead
- India's exports: all time high US\$95bn Apr-Jun'21
- Strong "Cyclical catch-up growth" in Q2/Q3

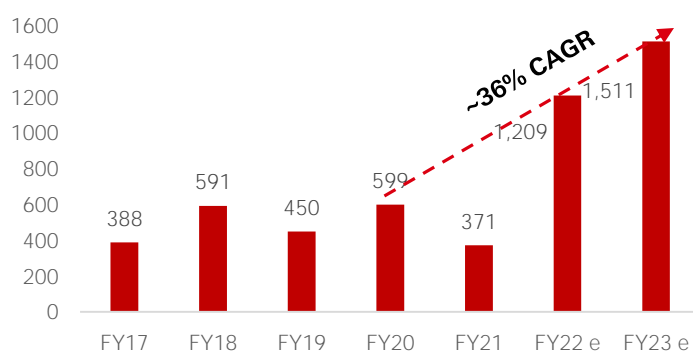
- Expansionary Budget: long term structural growth
- Strong Capex push (highest seen since FY08)
- Earnings significant rise in earnings during FY22-23
- Cyclical revival gives multi-year earnings visibility
- India: highest ever FDI inflow of US\$81bn^{^^}

Midcap behavior during expansion- Midcap earnings rise faster relative to Large cap when cycle turns

Economic upcycle (FY02-08) encouraging for midcaps**



Earnings: Nifty Midcap 100 index (EPS)

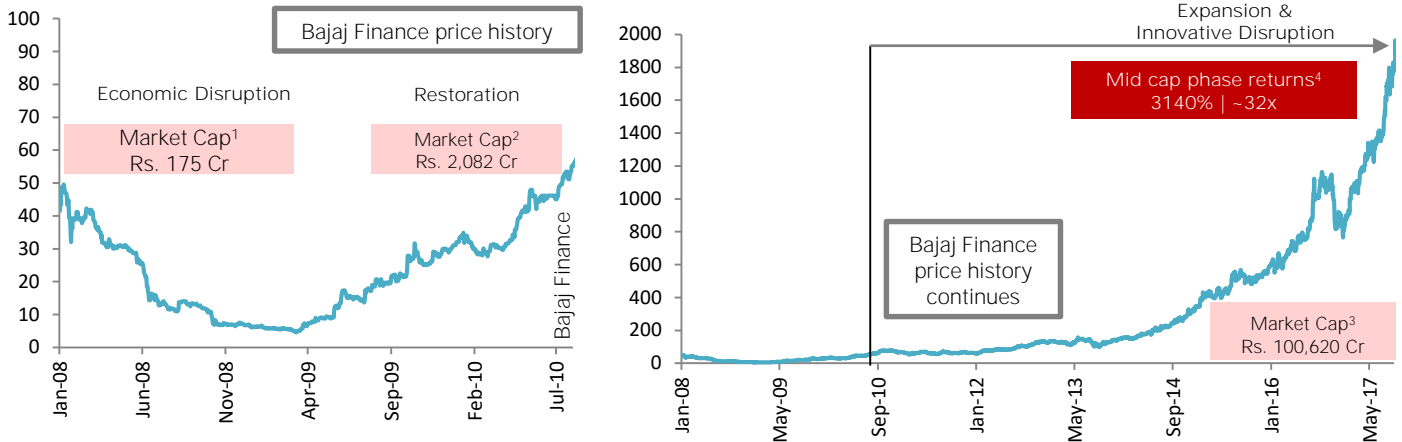


Midcap stocks earnings expected to grow significantly higher during FY22 and FY23

Chart 1 & 2 - Source: AMBIT Capital Research, Data as at Oct 2021, **Note: Large-caps are represented by the top 100 stocks on market capitalisation basis & Mid caps are represented by the next 150 stocks based on market capitalisation. [^] Apr '02 to Mar '08. Midcap earnings: MOSL, Nifty Midcap 100 index EPS data, EPS = Earnings Per Share, e = estimates, GDP data: World Bank. For illustration purpose only. Past performance may or may not sustain and doesn't guarantee the future performance. Source: Bloomberg, MOSL, OECD, Data as at Sep 2021 except otherwise mentioned. ^{^^} FY21

Disruption to Expansion (+ 'Innovative Disruption') – learnings from the past

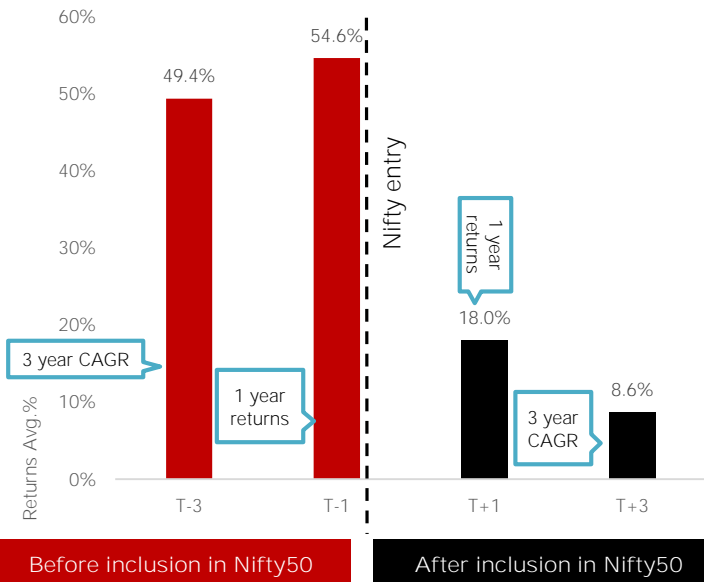
2008: Disruption to Expansion developed some of the major companies in India e.g. Bajaj Finance



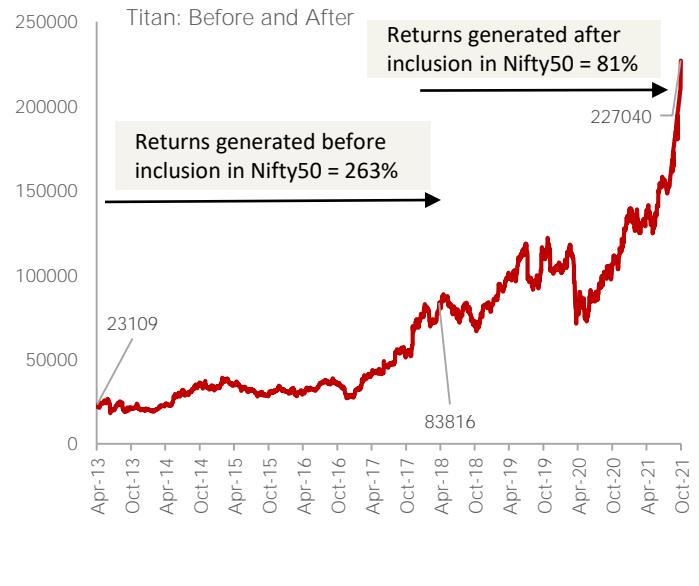
Expansionary policies with Innovative Disruption to benefit Mid cap companies

Transition phase provides real opportunity - Mid caps need to be tapped at an early stage of their life-cycle

Price Performance (Avg.) of Nifty Entrants



Titan: Before and After



Invest in the early signs: The value of investing in these stocks is before they enter the index and not after!

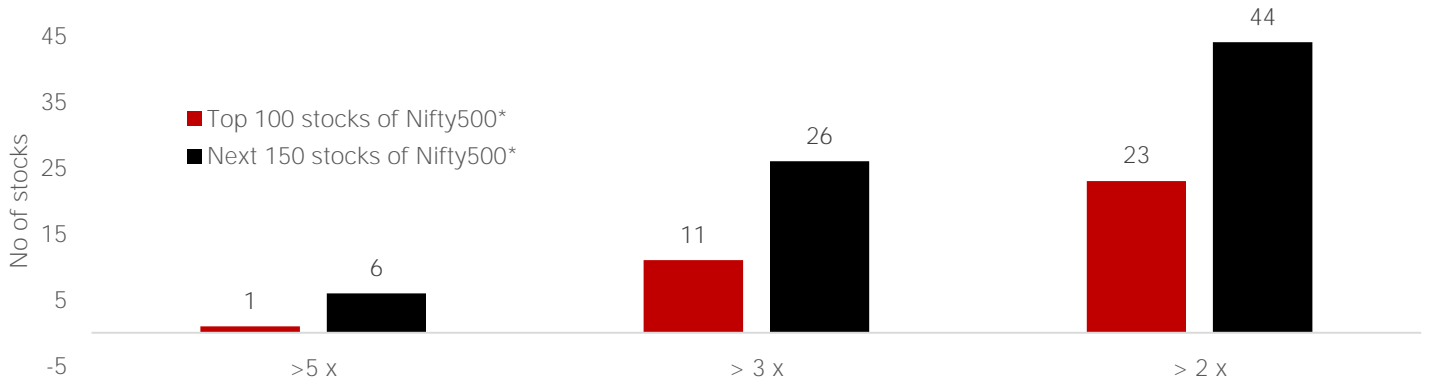
Journey of Bajaj Finance Charts: Source: Bloomberg. The above chart and names of the stock is provided for illustration purpose only. Past performance may or may not sustain, past performance does not guarantee the future performance
 Market Cap as on 1: 9-03-09, 2: 31-07-10, 3: 28-08-17, Returns: 4: From 1-08-10 to 31-08-17, Mid caps - In India, companies listed on the stock exchanges between 101st - 250th in terms of full market capitalization are called Mid Cap companies (Mid Cap stocks). The above information are for illustrative purpose only and it should not be considered as investment research, investment recommendation or advice to any reader of this content to buy or sell investments. The Fund may or may not have any future position in these stocks.

Transition phase charts: Source: Bloomberg, Data as at October 2021, For Price performance (Aggregate average returns) of all Nifty entrants data from 1 Jan 2001, CAGR returns for 3 year period; T is the date of inclusion in Nifty50, T - 1 (1year prior to inclusion), T - 3 (3 year prior to inclusion), T + 1 (1year after inclusion), T + 3 (3 years after inclusion). Some of the recently entered Nifty50 stocks have not completed 3 years period but their 1 year performance included. Past performance may or may not sustain and doesn't guarantee the future performance. The fund may or may not have future potion in these stocks.

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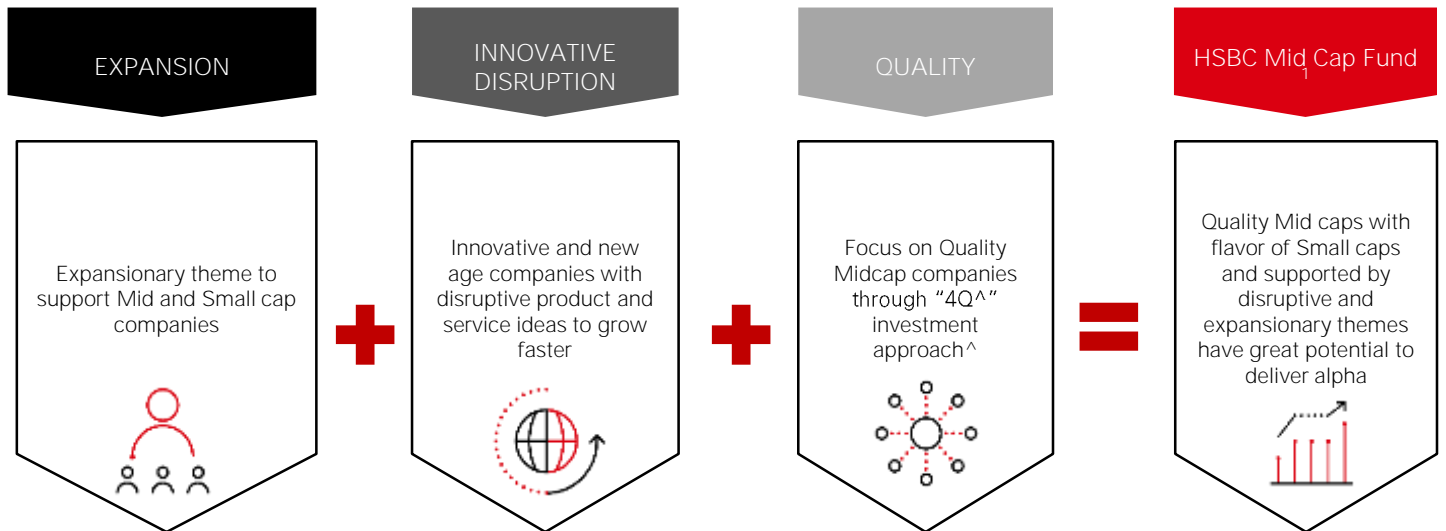
Multibagger opportunities - Performance of top100 vs Next150 stocks of Nifty500

Performance in multiples over the 5 years period



23 of Top100# and 44 from Next150# stocks of Nifty500 have given 2x returns over the past five years

Quality Mid caps with flavor of Small caps^ have great potential to generate alpha



Expansion, Disruption & focus on Quality can lead HSBC Mid Cap Fund (HMF) to generate alpha

- HMF expected to benefit from construction of fresh portfolio at the beginning of the expansion cycle
- Quality Mid caps with flavour of Small caps may help HMF to generate alpha
- The fund can explore opportunities in Innovative Disruption and new age businesses along with IPOs
- HMF can also explore themes such as Make in India and Exports

Multibagger opportunities: Source: Bloomberg, Data as at October 2021, * # Nifty 500 index data, Top 100 stocks of Nifty 500, Next top 150 stocks of Nifty 500 in terms of market capitalisation.

The above data is provided for illustration purpose only. Past performance may or may not sustain and doesn't guarantee the future performance.

Quality Mid caps: Source – HSBC Asset Management India, For illustration purpose only., ^4Q approach – refer to page 4 for details on 4Q approach.

1. Mid Cap Fund – An open ended equity scheme predominantly investing in mid cap stocks

^The scheme has a flexibility to invest anywhere between 65% to 100% in mid cap stocks and upto 35% in debt & money market instruments and stocks other than mid cap stocks i.e. small and large cap stocks. Also the scheme has a provision to invest upto 10% in Units issued by REITs and InvITs. Refer Scheme Information Document for complete investment universe and asset allocation of HSBC Mid Cap Fund. The above view/strategy is as per current view of the investment team and this is subject to change without any notice.

Fund Philosophy:

- Invest on scalable businesses that are outperforming their market segment.
- Invest in businesses that have great track record of execution and are leader / strong challenger in their respective segment
- Focus is on companies that are likely to deliver strong earnings growth in the medium term.

Key portfolio themes:

- Indian economy continues to recover well from Covid disruption and growing at a rapid pace. Continue to remain constructive on the businesses that are participating in the current growth trends.
- Positive on exports given the diversification of global supply chains and improved competitiveness of Indian players. Strong growth in end user markets is also aiding to the overall growth of the segment.
- Positive on Make in India theme given the strong push by the government.
- Positive stance on fast growing digital economy of India and the opportunities it is throwing up.
- Portfolio sectoral positioning:
 - *We are currently in the process of deploying the AUM. As on the month end, ~83% of the AUM was deployed. Portfolio positioning being mentioned is for the amount invested so far.*

Portfolio sectoral positioning:

View	Sector			
Positive view	Specialty Chemical	Information Technology	Healthcare	-
Neutral	Consumer Discretionary	Real Estate	Industrials	-
Negative	Financials	Energy	Communication Services	-

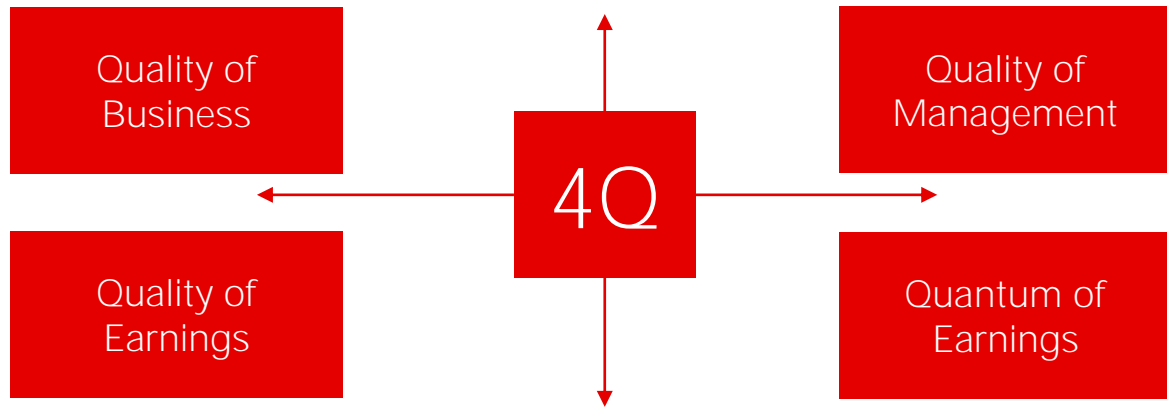
HSBC Mid Cap Fund – Key sectors

Specialty Chemicals	Information Technology	Consumer Discretionary
<ul style="list-style-type: none"> • We continue to maintain a positive view on Specialty chemicals space, as we believe it will benefit on demand arising from end user industries like agrochemicals, pharma etc. • Diversification of global supply chain away from China is also improving the outlook for Indian companies. 	<ul style="list-style-type: none"> • We are seeing strong growth trends for most IT companies as covid has forced most global companies to invest heavily on digital. IT demand growth has improved to mid-teens after a few years of single digit growth rate. • We expect the current trends to continue as the opportunity size available for IT companies remain very large. 	<ul style="list-style-type: none"> • We are invested in leading companies in the consumer discretionary space. • After the covid led disruption, the demand has come back strongly. Most of the leading players are gaining from this underlying demand trends and are gaining market share. • We continue to invest in market leaders/strong challengers in this space as we believe the trend of these players capturing market share at the cost of weaker players will continue.

Sector positioning - Month end Data as on 30 November 2021

HMF's Investment approach: Focus on Quality and Quantum

Midcap are good but Midcaps with Quality & Quantum are better



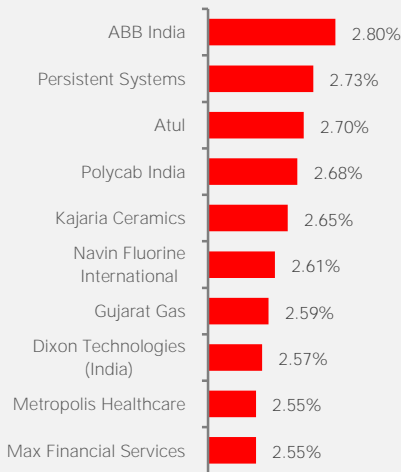
4Q to support HMF's investment journey: identifying investment opportunities and avoiding accidents

Portfolio sectoral positioning:

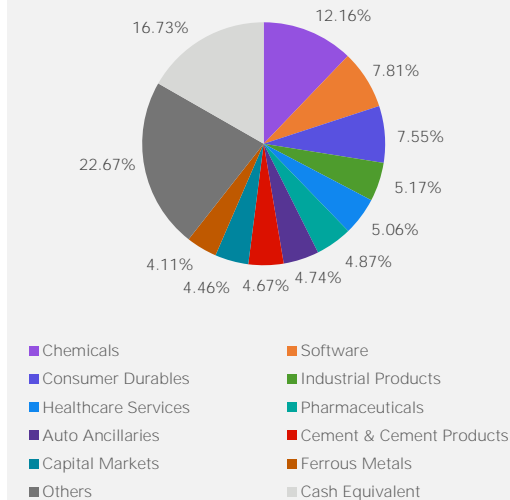


Portfolio

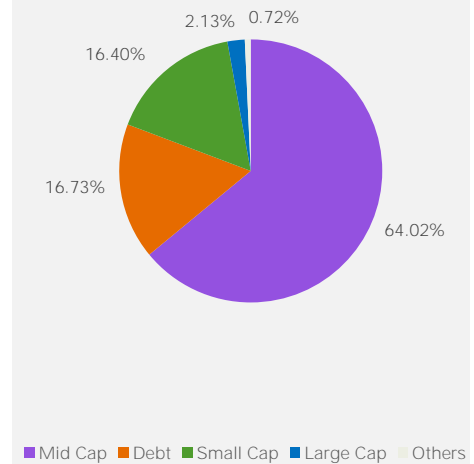
Top 10 Holdings as on 30 November 2021



Asset Allocation



Market Capitalisation



Equity Market Update

- Indian equity markets have outperformed most of the key global equity indices on a YTD basis. This has made Indian equity market valuations richer.
- The macro releases during November point towards a steady recovery in economic activities.
- 2QFY22 turned out to be a steady quarter with the above expectations corporate earnings (Nifty universe).
- The Nifty EPS estimate for FY22 was broadly unchanged while there were upgrades seen for FY23/24 estimates.
- On P/E basis, Nifty is currently trading at 22.8x / 19.4x FY22/23 earnings estimates.
- Easy global liquidity could be at risk given the accelerated Fed taper timeline that the market is factoring in now.
- Given the rich market valuations, earnings growth needs to catch-up.
- We remain positive on equity markets from a medium to long term perspective.
- We see cyclical revival to provide multi-year earnings visibility and this coupled with a benign cost of capital environment, to support equity performance.

HSBC Mid Cap Fund - Snapshot

Fund Name	HSBC Mid Cap Fund
Benchmark	NIFTY Midcap 150 Index TRI ⁴
Fund Manager	Ankur Arora
Exit Load ²	NIL, if units are redeemed/switched-out after 1 year from allotment, 1% if Any redemption / switch-out of units within 1 year from allotment.

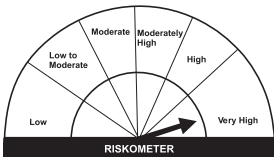
Where will the scheme invest?¹

- The corpus of the Scheme will be invested in equity, equity related and various fixed income securities.
- The Scheme will have flexibility to invest across large, mid and small cap companies but will be invested predominantly (at least 65%) in mid cap companies.³
- Bottom up approach: A bottom up approach to invest in equity and equity related instruments supported by top down view

1. The scheme has a flexibility to invest anywhere between 65% to 100% in mid cap stocks and upto 35% in debt & money market instruments and stocks other than mid cap stocks i.e. small and large cap stocks. Also the scheme has a provision to invest upto 10% in Units issued by REITs and InvITs.
2. The exit loads set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively.
3. Refer Scheme Information Document for complete investment universe and asset allocation of HSBC Mid Cap Fund.
4. SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652 dated October 27, 2021, 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 changed to S&P BSE Midcap 150 TRI Index which has been classified as Tier 1 benchmark. Furthermore, the same is effective from 01 December 2021.

HSBC Mid Cap Fund Riskometer

HSBC Mid Cap Fund



Investors understand that their principal will be at Very High risk

Mid Cap Fund - (Mid Cap Fund – An open ended equity scheme predominantly investing in mid cap stocks).

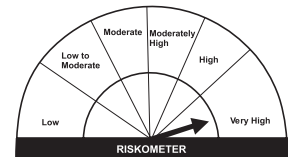
This product is suitable for investors who are seeking:**

- Long term wealth creation.
- Investment predominantly in equity and equity related securities of mid cap companies.

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

Please note that the above risk-o-meter is as per the product labelling of the Scheme available as on the date of this communication/ disclosure. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Benchmark: NIFTY Midcap 150 Index TRI



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HSBC Asset Management (India) Private Limited, 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063, India. Email: hsbcmf@camsonline.com | Website: www.assetmanagement.hsbc.co.in