



HSBC Small Cap Equity Fund (HSEF)

Small Cap Fund - An open ended equity scheme predominantly investing in small cap stocks

December 2021

Investment Objective:

To generate long term capital growth from an actively managed portfolio of equity and equity related securities of predominantly small cap companies. However, it could move a portion of its assets towards fixed income securities if the fund manager becomes negative on the Indian equity markets. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.



⁹ As on 30 November 2021 of Growth option. The launch date of the S&P BSE 250 Small Cap Index (INR) is November 30, 2017 whereas the inception date of the scheme is May 19, 2005. All information presented prior to the index launch date is back-tested which is available from Mar 31, 2008. During the same period, scheme benchmark (S&P BSE 250 small cap index TRI) has moved by 2.0X to Rs. 209,100 from Rs. 100,000 and delivered return of 15.89%. Please refer page no. 5 for detailed performance of HSBC Small Cap Equity Fund. ¹⁰ During the same period, value of scheme benchmark (S&P BSE 250 small cap index TRI) has moved to 1,025,316

Portfolio Strategy

Fund Philosophy:

- Prefer efficient and scalable small cap businesses available at reasonable valuations
- Invest in businesses that are leader or strong challenger in their own respective sub-segments.
- Focus is on companies that are likely to deliver strong earnings growth in the medium term as they continue to outperform the market growth.

Key portfolio themes:

- Growth trends have remained strong broadly across sectors. Continue to prefer sectors and companies that are participating in the current strong growth outlook
- Positive on exports as India continues to gain from 'China + 1' strategy which is being adopted by corporates as well as economies to diversify their global supply chains
- Positive on make in India theme and the opportunities it is providing to many corporates
- Positive stance on industrial space given the improving capacity utilization rate across sectors.

Portfolio sectoral positioning

View	Sector			
Positive	Specialty Chemical	Building Material	Consumer Discretionary	-
Neutral	IT	Infrastructure	Real Estate	Industrials
Negative	Financials	Energy	Communication Services	-



Top 3 Stock & Sector Movements:

New stocks added	Weight
Latent View Analytics Ltd.	2.39%
Allocation increase in existing stock	Weight
Avanti Feeds Ltd.	0.26%
Allocation increase in existing sector	Weight
Information Technology	2.47%
Consumer Staples	0.26%

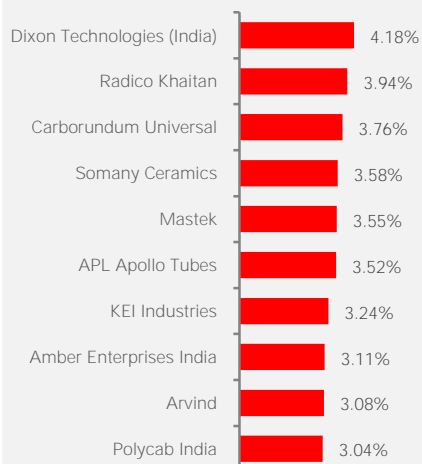
Allocation decrease in existing stocks	Weight
Ashoka Buildcon Ltd.	-0.71%
Inox Leisure Ltd.	-0.62%
Oriental Carbon & Chemicals Ltd.	-0.48%
Allocation decrease in existing sectors	Weight
Industrials	-1.39%
Financials	-0.76%
Communication Services	-0.62%

Data as on 30 November 2021 over the previous month, New stocks added, stocks exited are listed here with the allocation increase or decrease in stocks and sectors compared to previous month, the list gives only top 3 movements and may not be an exhaustive list

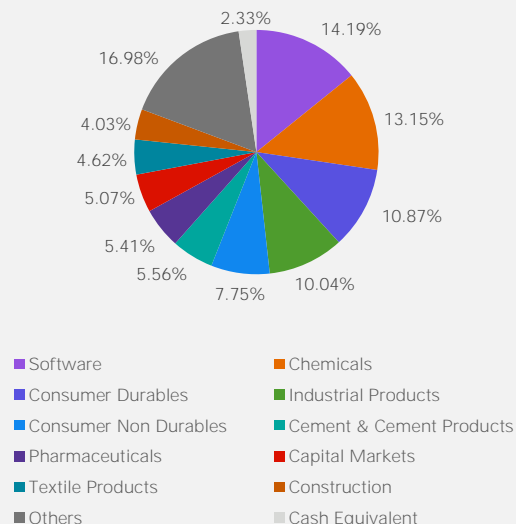


Portfolio

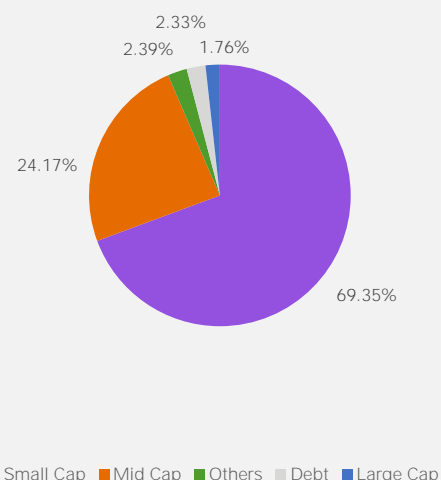
Top 10 Holdings as on 30 November 2021



Sector Allocation



Market Capitalisation



HSBC Small Cap Equity Fund - Key sectors

Specialty Chemicals

- 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.

Building Material

- We find attractive opportunities in building material space given the large recovery in the housing market post covid disruption.
- The market is consolidating towards the leading organized players and that's where our preference lies.

Consumer Discretionary

- 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.

Month end Data as on 30 November 2021

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.

Fund Details

- Fund Manager** ⁷
Ankur Arora
- Benchmark** ¹¹
S&P BSE 250 Small Cap Index TRI
- Inception Date**
19 May 2005
- AUM (as on 30.11.21)**
341.39 Cr
- Exit Load** ⁴
1% if redeemed / switched out within 1 year from Allotment, else nil
- Minimum Investment** ⁸
Lumpsum SIP Additional Purchase
Rs ` 5,000 Rs ` 500 Rs ` 1,000

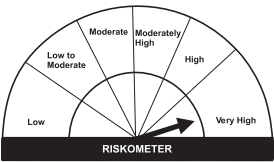
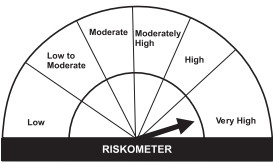
Portfolio Characteristics	Fund	S&P BSE 250 Small Cap Index
Number of holdings	42	250
Price to book (PB) ⁵	5.41	2.81
Price to earnings (PE) ⁵	48.52	46.32
EPS Adjusted (EPS) ⁵	33.37	21.45
Return on Equity (ROE (%))	11.87	7.21
Dividend Yield	0.47	0.89
Portfolio Turnover ⁶	0.35	-
Standard Deviation ²	27.04%	
Beta ²	0.86	
Sharpe Ratio ^{3, 2}	0.79	

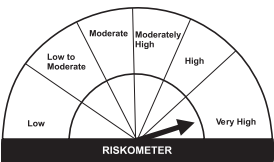
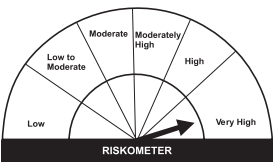
Why Invest In HSBC Small Cap Equity Fund

- Focus is on sustainable growing businesses and companies, available at better valuations with good capital efficiency
- True to label fund – The fund will stay true to its objective in keeping with the mandate reposed by the investor whilst investing in the fund

² Statistical Ratios disclosed are as per monthly returns (Annualized) for the last 3 years.
³ Risk free rate: 3.41% (FIMMDA-NSE MIBOR) as on November 30, 2021
⁴ Effective from March 14, 2018 for prospective investments. In respect of each purchase /switch-in of Units, an Exit Load of 1% is payable if Units are redeemed / switched-out within 1 year from the date of allotment, No Exit Load will be charged, if Units are redeemed/switched-out after 1 year from the date of allotment.
⁵ EPS - Trailing 12 month Estimates Comparable Adjusted EPS, PE - Trailing 12 month Price to earnings adjusted for negative earnings, Weighted average method, PB – Price to book value, Trailing 12 month Price to earnings, Index method aggregation. Source - HSBC AMC India and Bloomberg, Data as of 30 November 2021

⁶ Portfolio Turnover Ratio is computed for the last 12 months
⁷ The said Fund is managed by Ankur Arora effective 5 August 2019
⁸ In multiples of Re 1 thereafter
¹¹ 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 classified as Tier 1 benchmark. Furthermore, the same is effective from 01 December 2021

Riskometer		
HSBC Small Cap Equity Fund  Investors understand that their principal will be at Very High risk	Small Cap Fund - An open ended equity scheme predominantly investing in small cap stocks. This product is suitable for investors who are seeking**: <ul style="list-style-type: none"> • To create wealth over. • Investment in predominantly small cap equity and equity related securities. **Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	Benchmark: S&P BSE 250 Small Cap Index TRI  RISKOMETER
<p>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.</p>		

Riskometer		
HSBC Mid Cap Equity 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**: <ul style="list-style-type: none"> • 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.	Benchmark: NIFTY Midcap 150 Index  RISKOMETER
<p>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.</p>		

Lump Sum Investment Performance									
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		Inception Date: 19-May-05
	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount Rs	Returns %	
HSBC Small Cap Equity Fund	16,912	68.40	18,547	22.84	21,229	16.24	89,320	14.15	
S&P BSE 250 Small Cap Index TRI (Scheme Benchmark) ¹¹	16,460	63.94	18,288	22.27	20,910	15.89	NA	NA	
Nifty 50 TRI (Additional Benchmark)*	13,249	32.19	16,182	17.38	21,968	17.04	105,008	15.27	

SIP Performance - HSBC Small Cap Equity Fund					Inception Date: 19-May-05
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1980000	
Market Value as on November 30, 2021 (₹)	156,081	649,077	1,053,809	7,288,667	
Scheme Returns (%)	60.14	42.32	22.72	14.29	
S&P BSE 250 Small Cap Index TRI - Scheme Benchmark (₹) ¹¹	148,027	631,386	1,025,316	N.A.	
S&P BSE 250 Small Cap Index TRI - Scheme Benchmark Returns (%)	46.02	40.14	21.58	N.A.	
Nifty 50 TRI - Additional Benchmark (₹)*	133,973	513,194	944,149	6,541,586	
Nifty 50 TRI - Additional Benchmark Returns (%)	22.30	24.45	18.19	13.18	

Past performance may or may not be sustained in the future. Refer note below. HSBC Small Cap Equity Fund – Fund Manager - Funds Managed by Ankur Arora (Total Schemes Managed)1 - Effective (05 Aug 2019)

HSBC Mid Cap Fund performance is not given as it has not completed 6 months. Performance of the respective benchmark is calculated as per the Total Return Index (TRI)
*Additional benchmark as per SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021

¹¹ Pursuant to the circular issued by SEBI on 'Categorization and Rationalization of the Schemes, there has been change in the fundamental attribute(s) of the aforesaid scheme including change in the benchmark to S&P BSE 250 Small Cap Index effective from Mar 14, 2018. The launch date of the S&P BSE 250 Small Cap Index (INR) is November 30, 2017 whereas the inception date of the scheme is May 19, 2005. All information presented prior to the index launch date is back-tested which is available from Mar 31, 2008. The corresponding benchmark returns since inception of the scheme is not available. All index data is available on the website of Asia Index Pvt. Ltd. a joint venture between BSE Ltd. and S&P Dow Jones Indices LLC. (source: <http://www.asiaindex.co.in>).

Source: ICRA MFI, Bloomberg, Data as at November 2021

Returns are of growth option. The returns for the respective periods are provided as on November 2021. Returns above 1 year are Compounded Annualized. Standard The performance details provided herein are of other than Direct 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 November 2021 for the respective Schemes. Returns for 1 year and Above are Compounded Annualised. Returns for less than 1 year is Simple Annualised. 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 Other than Direct Plan. The performance data of the scheme(s) managed by the respective Fund Manager which has/have not completed 6 month is not provided. 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.

The performance details provided herein are of other than Direct Plan –Growth Option. Assuming ₹ 10,000 invested systematically on the first Business Day of every month over a period of time The returns for the respective periods are provided as on last available NAV of November 2021 for the respective Schemes. Returns for 1 year and Above are Compounded Annualised. Returns for less than 1 year is Simple Annualised. 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 Other than Direct Plan. The performance data of the scheme(s) managed by the respective Fund Manager which has/have not completed 6month is not provided. 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.

The Fund offers flexible and convenient Systematic Investment Plan (SIP) facility. To illustrate the advantages of SIP investments, this is how your investments would have grown if you had invested say ₹ 10,000 systematically on the first Business Day of every month over a period of time in the Growth Option of Respective Scheme. The returns are calculated by XIRR approach assuming investment of ₹ 10,000/- on the 1st working day of every month. XIRR helps in calculating return on investments given an initial and final value and a series of cash inflows and outflows with correct allowance for the time impact of the transactions.

Source: HSBC Asset Management, India, Bloomberg. Data as at 30, November 2021

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