

Invest in the early signs

HSBC Mid Cap Fund

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

NFO: 6 - 20 September 2021 | **Reopening Date:** 29 September 2021

NFO Note: August 2021



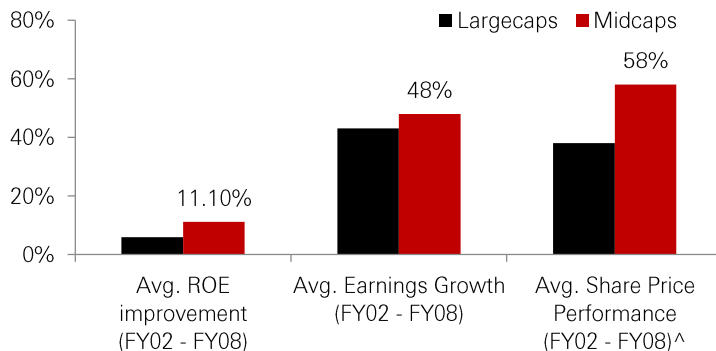
Expansionary Budget, global growth and low cost of capital to propel economy to Expansion phase

- 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

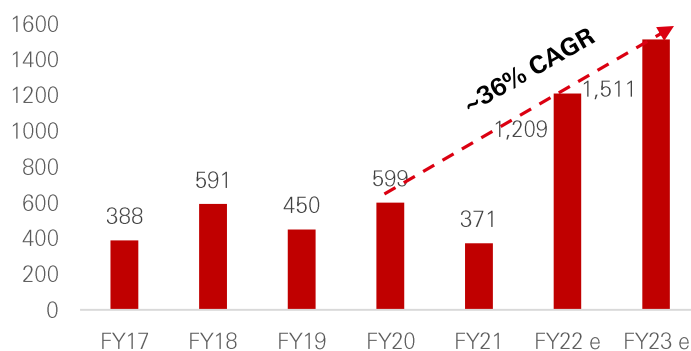
- **Expansionary Budget:** long term structural growth
- **Strong Capex push** (highest seen since FY08)
- **Earnings** significant rise in earnings during FY22-23
- Cyclical revival gives multi-year **earnings visibility**
- **India: highest ever FDI inflow** of US\$81bn^{^^}

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)

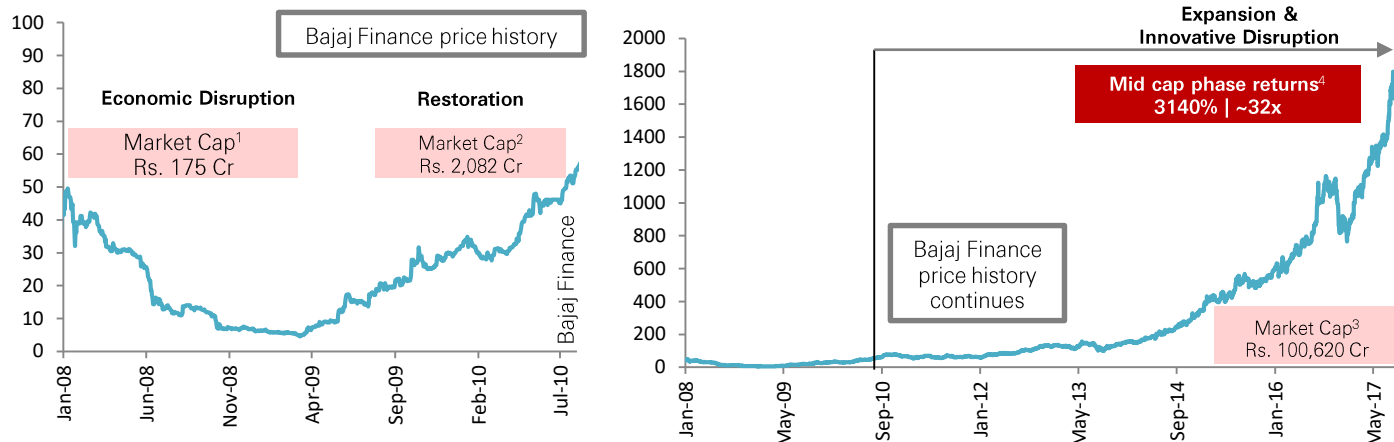


Midcap stocks earnings expected to grow significantly higher during FY22 and FY23

Chart 1 & 2 - Source: AMBIT Capital Research, Data as at July 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 July 2021 except otherwise mentioned. ^{^^} FY21

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

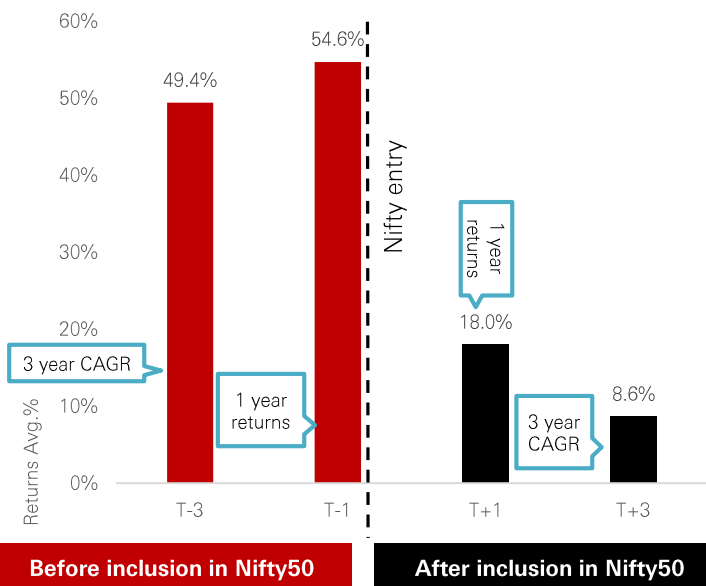
2008: Disruption to Expansion developed some of the major companies in India e.g. Bajaj Finance



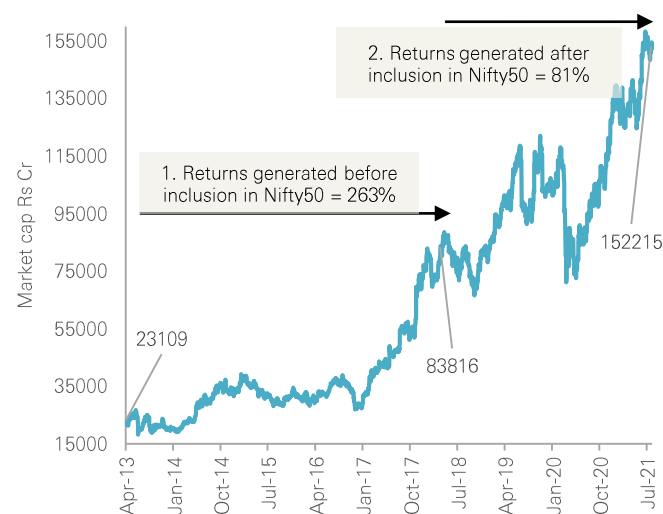
Expansionary policies with Innovative Disruption to benefit Mid cap companies

Transition phase provides real opportunity - Mid caps need 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!

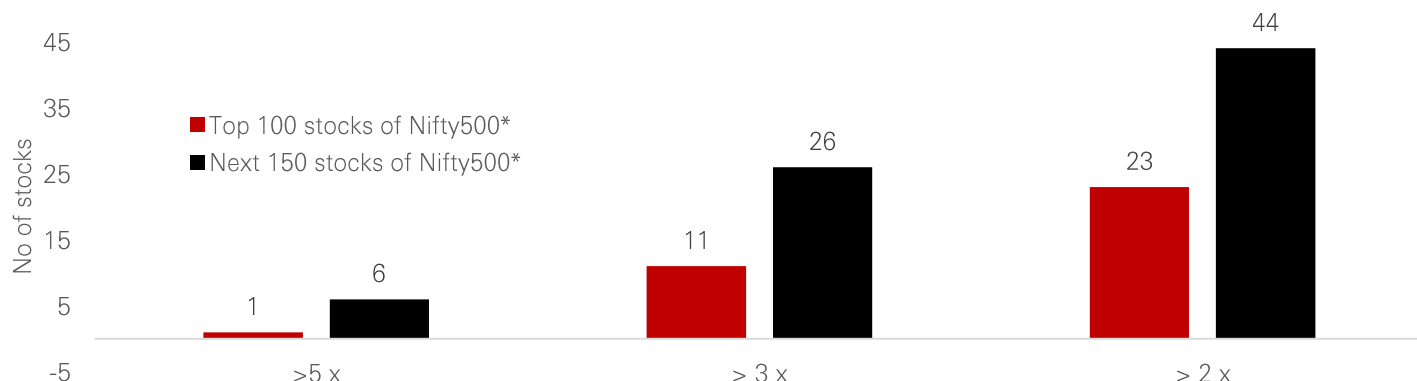
Journey of Bajaj Finance Charts: Source: Bloomberg, Data as of 31 July 2021. The above chart and names of the stock is provided for illustration purpose only. Past performance may or may not sustain, past performance does not guarantee the future performance. Market Cap as on 1: 9-03-09, 2: 31-07-10, 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 July 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 (1 year prior to inclusion), T - 3 (3 year prior to inclusion), T + 1 (1 year 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 position in these stocks.

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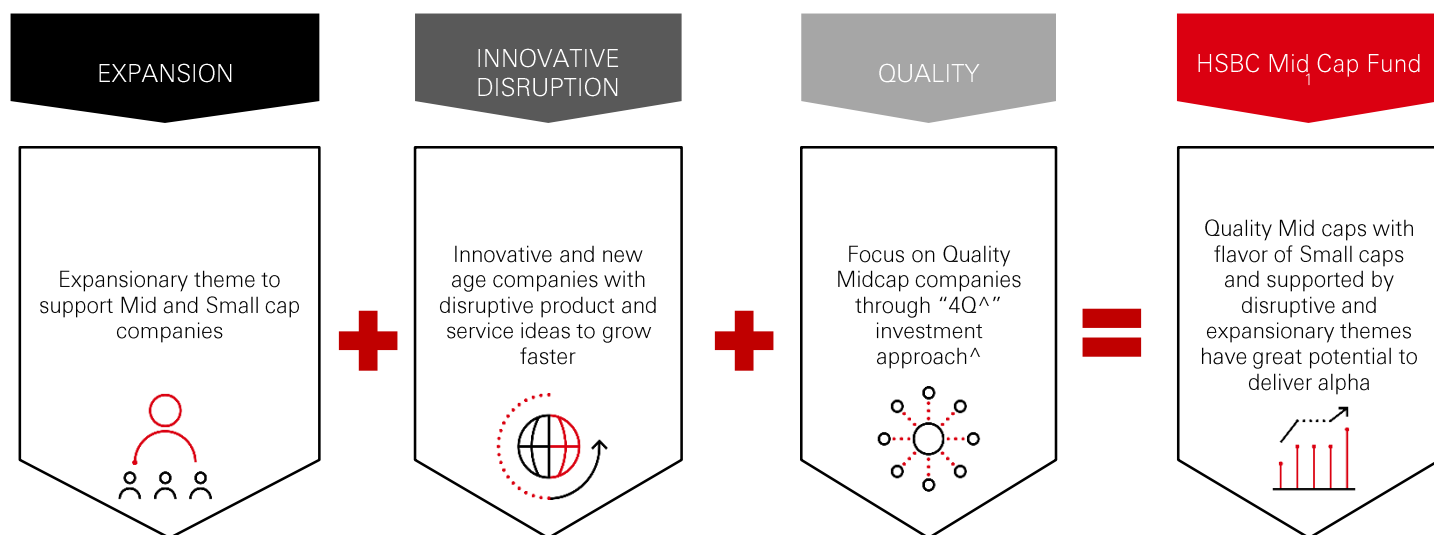
Multibagger opportunities - Performance of top100 vs Next150 stocks of Nifty500

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 July 2021, *# Nifty 500 index data, Top 100 stocks of Nifty 500, Next top 150 stocks of Nifty 500 in terms of market capitalisation.

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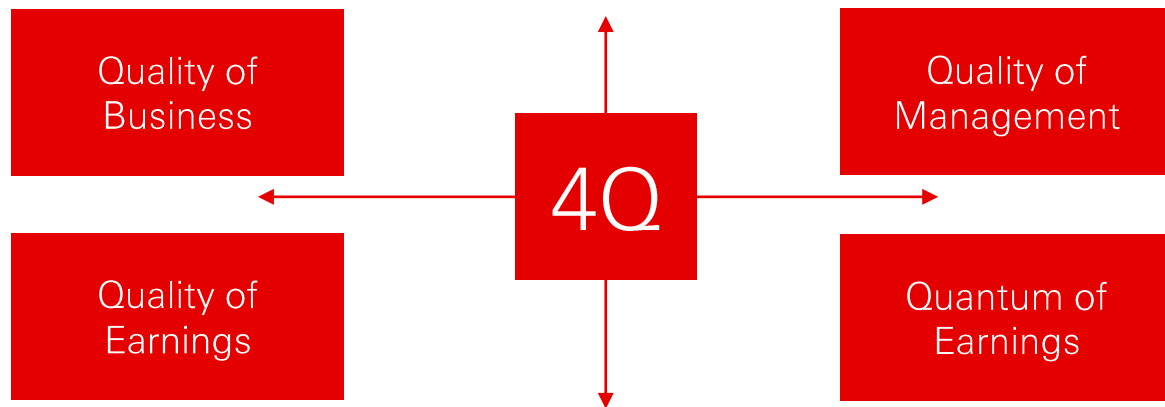
Quality Mid caps: Source – HSBC Asset Management India, For illustration purpose only., ^4Q approach – refer to page 4 for details on 4Q approach.

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.

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

HSBC Mid Cap Fund - Snapshot

Fund Name	HSBC Mid Cap Fund
Benchmark	NIFTY Midcap 150 Index TRI
Fund Manager	Ankur Arora
Exit Load²	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.

Scheme Name	Riskometer
<p>HSBC Mid Cap Fund</p> <p>(Mid Cap Fund – An open ended equity scheme predominantly investing in mid cap stocks)</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term wealth creation • Investment predominantly in equity and equity related securities of mid cap companies <p>* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	

Product labelling assigned during the 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.

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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. Various index and their constituents and other stocks discussed in this document are for illustrative purpose only for explaining the concepts stated in this presentation and it should not be considered as investment research, investment recommendation or advice to any reader of this content to buy or sell investments. From the asset allocation perspectives, the Scheme shall invest minimum 65% of AUM in those mid cap stocks which meets the criteria of Mid Cap Stocks as defined by SEBI i.e. 101st to 250th stock in terms of total market capitalization of the stock.

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

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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

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