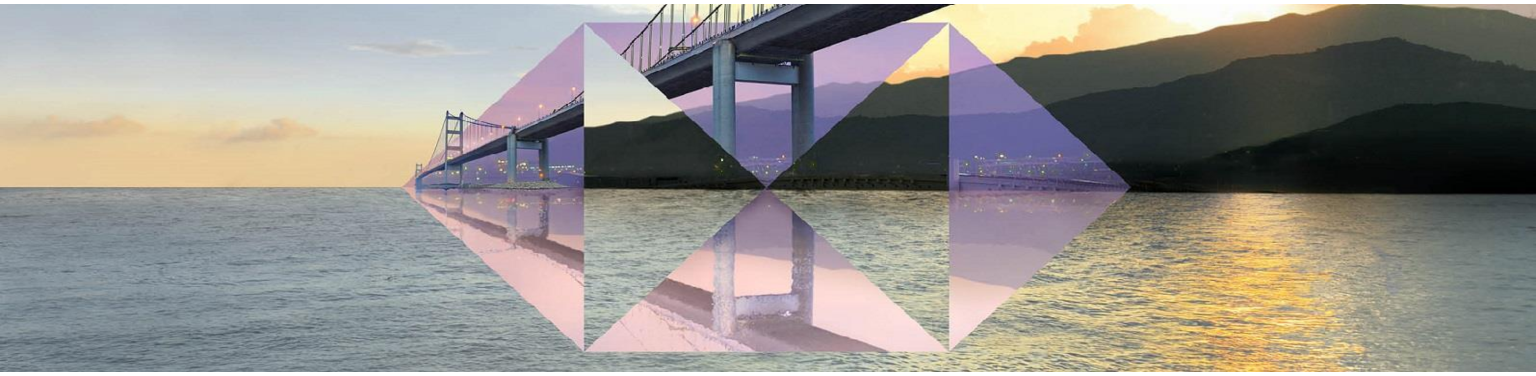
HSBC Large and Mid Cap Equity Fund (HLMEF)

Large and Mid Cap Fund - An open ended equity scheme investing in both large cap and mid cap stocks.



16 February 2021

Investment Objective:

To seek long term capital growth through investments in both large cap and mid cap stocks. However, there is no assurance that the investment objective of the Scheme will be achieved.

9.73%
CAGR since inception [1]

1.1X
since inception [1]

21.28%
SIP returns since inception [2]

INR 11,867
Value of INR 10,000 since inception [1]

[1] As on 31 January 2021 of Growth option. During the same period, scheme benchmark NIFTY Large Midcap 250 TRI has moved by 1.2X to Rs. 12,225 from Rs.10,000 and delivered returns of 11.51%. Please refer page no. 5 for detailed performance of HSBC Large and Mid Cap Equity Fund. [2] During the same period, scheme benchmark NIFTY Large Midcap 250 TRI has delivered return of 25.68%.

Equity Market Update

- India and world entered 2021, with renewed vigor and hope, on the back of the accelerated vaccine development and embarkation on the immunization programme.
- Against this backdrop, the budget surprised positively as the government unveiled a long road for an expansionary fiscal policy and prioritized it over fiscal consolidation.
- The key themes of the budget focused around accelerated capex / infrastructure investment, cleaning up of the financial systems and higher healthcare outlay.
- The quarterly results season surprised positive with earnings upgrades far outpacing downgrades.
- At an overall level, the recovery process especially with respect to the rebound in economic activity levels, has been much faster compared to initial expectations.
- In addition, the restoration / recovery process from the COVID-19 disruption will continue, leading to significant economic GDP rebound (double digit GDP growth in FY22) and corporate earnings growth (~38%) in FY22.
- Looking at valuations, on P/E and P/B basis, markets are now trending above historical averages.
- However, at the same time, the current lower cost of capital continue make equities relatively more attractive, even after the significant outperformance.

HSBC Global Asset Management

Fund Details

Fund Manager[4]
Neelotpal Sahai & Amaresh Mishra

Benchmark
NIFTY Large Midcap 250 TRI

Inception Date
28 March 2019

AUM (as on 31.1.21)
488.11 Cr

NAV (Growth Option)
INR 11.8672

Minimum Investment

Lumpsum	SIP	Additional Purchase
₹ 5,000	₹ 500	₹ 1,000

Exit Load [1]
1 % if redeemed / switched out within 1 year from date of allotment, else nil

Entry load
NA

Month End Total Expenses ratios (Annualised) [2]

Other than Direct Plan[5]	2.48%
Direct Plan	0.79%

Portfolio Characteristics	Fund	Nifty Large Midcap 250 TRI
Number of holdings	52	251
Price to book (PB) [3]	4.14	2.90
Price to earnings (PE) [3]	48.58	66.43
EPS Adjusted (EPS) [3]	55.81	50.90
Return on Equity (ROE (%))	9.79	0.61
Dividend Yield	0.56	1.06

HSBC Large and Mid Cap Equity Fund - Sector Positioning

Sectors	Comments
Financials	We maintain a positive view on lending financial institutions and expect them to outperform in the medium term versus non-lenders. Moving on normalisation of asset quality and collection efficiency, the focus has now shifted to growth and market share gains on assets. We continue to prefer large private banks and NBFCs (with good parentage), on account of their strength in capital adequacy, granular deposit franchise and investment in digital infrastructure. We believe these large lenders have emerged stronger post crisis – balance sheets are strongest ever driven by conservative provisioning and high NPA coverage, over the last 2/3 quarters and also, growth/market share is accelerating. Now we expect RoAs to be near or cross previous peaks, which will drive multiples above long-term averages. The recently announced budget has addressed concerns on medium term GDP growth, consequently credit growth and asset quality will surprise analyst estimates. Hence, we remain overweight in this space. Our smaller exposure to the life insurers driven by the financialisation of savings theme.
Real estate	We continue to remain positive on the sector and is a differentiated call compared to peers. We see the sector on a revival path driven by improvement in the residential affordability and listed players being the beneficiaries of industry consolidation. With low interest rates (coupled with negative real rates), the home purchase affordability is best since 2003. In addition, the current crisis shall accelerate the consolidation amongst the residential developers in favour of the major players especially, the listed companies. Commercial assets such as Grade A office spaces and malls will also see consolidation as new supply will be restricted due to current cash flow issues faced by developers coupled high gestation business models. The current recovery in sales looks promising and is much better than anticipated. Our current exposure is to developers who have a mix of residential portfolio and commercial assets, along with relatively strong balance sheet.
Consumer Discretionary	We continue to remain positive on the discretionary space. While a direct consumption stimulus is missing in the recent budget; a stable tax regime coupled with improving economic growth outlook augurs well for higher incomes and sustenance of demand. In the 3QFY21 results, the revenue growth has been robust across the non-auto discretionary space and in some cases the growth is expected to continue for the foreseeable future. The valuations have expanded for those names where market ascribe higher probability of being beneficiaries of formalisation and / or continue / sustain the market share gains. We reckon that the high valuations for these names would sustain owing to their leadership position in their respective sub-segments along with industry leading growth. In the past few months, we have reoriented our exposure within the sector and added to names where the price correction has been steeper than the value destruction in the business. There has also been shift from consumer goods to auto. Our exposure is through companies that are dominant players in their respective businesses coupled with their ability to gain from the disruption (digital strategy, investing for sustained market share gains etc.)

Sector positioning - Month end Data as on 31 January 2021

OW – Overweight, EW – Equal weight,
[1] 1% if the units redeemed / switched-out within 1 year from the date of allotment else Nil
[2] TER Annualized TER including GST on Investment Management Fees.
[3] 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 31 January 2021
[4] The said Fund is managed by Amaresh Mishra effective 23 July 2019
[5] Continuing plan

Portfolio Strategy

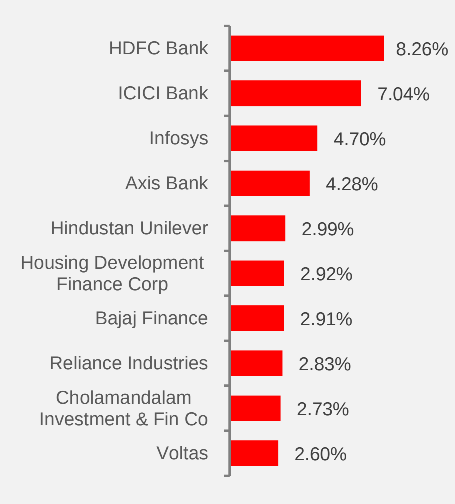
HSBC Large and Midcap Equity Fund

- **Fund Philosophy:**
  - To invest in dominant businesses having scalable businesses, available at reasonable valuations.
  - The trend of profit pool consolidating with the dominant players in respective sectors/industries, is likely to accelerate as the current disruption has higher magnitude as well as it encompasses more sectors.
  - This has increased our resolve to be true to our philosophy and we believe that such stocks would stand to gain market share even in the sluggish phases of the economy and achieve revenue traction when the economy returns to normalcy.
- **Key portfolio themes:**
  - From a medium to long term perspective, the current phase of disruption shall also pave way for accelerated digital adoption by consumers as well as enterprises. Another long term theme is that of diversification of the global supply chain due to 'China + 1' strategy. We are positive on both these themes.
  - We remain positively disposed towards companies with relatively higher earnings resilience and ones with stronger balance sheets. We reckon that companies / sectors which can provide earnings surprises would continue to do well and should outperform in 2021.
  - Our investment strategy will also focus on earnings growth implied by the valuations in the context of prevailing cost of capital and excess liquidity.
  - We are mindful of the fact that, the faster than expected vaccine development as well as immunization programme has the potential to accelerate the reopening and recovery process.
  - From a bottom up perspective, we have exposure to dominant players/leaders in badly disrupted sectors but that are on verge of revival (Eg: Retail, Multiplex, Real Estate etc.).
  - The recent budget has envisaged a long road for fiscal consolidation, which provides at least a 4-year window for the pro-growth approach and capex push. As a result, we have now turned bullish on Industrials sector.
- **Portfolio sectoral positioning:**
  - We currently hold a positive view on Financials, Healthcare, Real Estate, Materials, Industrials and Consumer Discretionary sectors.
  - The focus is on earnings surprises and we reckon Financials, Real Estate, Healthcare to be at the forefront, while our exposure in other sectors is also driven by this theme.
  - Real Estate earnings momentum will be driven by demand factors and industry consolidation benefiting the larger listed players.
  - In Financials (specifically in private banks), we believe that the earnings surprises will be driven by rebound in credit growth coupled with lower credit costs.
  - The renewed capex push and a multi-year expansionary fiscal policy envisaged in the budget, turn us positive on the Industrials sector. We also have exposure to CVs, to play the economic recovery theme.
  - At a sub-sector level, we are positive on Cement, owing to the strong demand recovery and Specialty chemicals driven by the supply chain diversification theme.
  - In Technology where we are neutral, though the near term revenue acceleration is reflected in the prices, it is a 'buy on dips' sector for us, being a beneficiary of multi-year up-cycle due to core transformation and migration to cloud phenomena.
  - In Telecom we have been moderating our exposure due to lack of positive surprises (delay in tariff hike) and the advent of the next capex cycle (5G). We have used this reduction to increase weight in pro-cyclical segments.
  - Our underweight stance in Staples is on account of lack of earnings surprises and lofty valuations
  - We continue to remain negative on Energy and Utilities sectors.

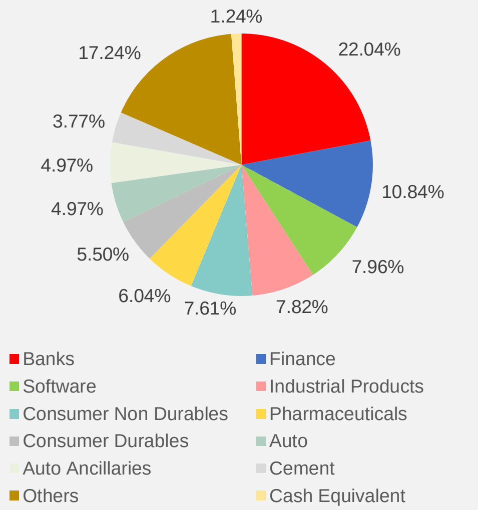
Market Capitalisation Mix: Currently the allocation to large/mid/small caps are 56.7%/37.8%/4.2% as compared to 51.4%/41.5%/4.7% in the previous month. As per the offer document, a minimum of 80% allocation to equity and equity related securities out of which allocation of at least 35% each will be towards large cap stocks and mid cap stocks. The Scheme will have the flexibility to allocate the balance in a market cap agnostic manner. In terms of the outlook for sectoral allocation, as economic and social normalcy gradually returns, we would be increasing the mid/small cap exposure in the portfolio.

Portfolio

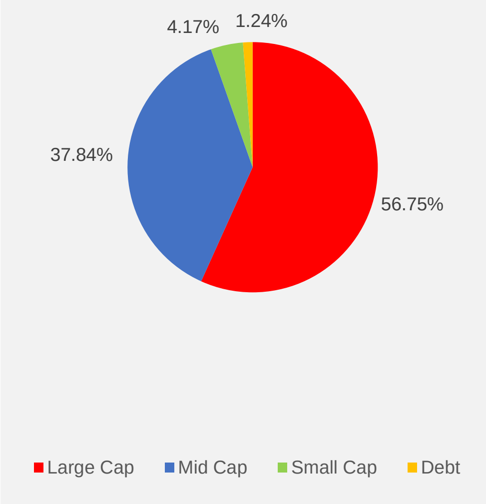
Top 10 Holdings as on 31 January 2021



Asset Allocation



Market Capitalisation



Top 3 Stock & Sector Movements:

New stocks added	Weight
Tata Motors Ltd.	1.61%
Larsen & Toubro Ltd.	1.09%
Max Financial Services Ltd.	1.05%

Stocks exited	Weight
City Union Bank Ltd.	-1.70%
-	-
-	-

Allocation increase in existing stocks	Weight
Axis Bank Ltd.	0.76%
Ashok Leyland Ltd.	0.37%
-	-

Allocation decrease in existing stocks	Weight
SBI Life Insurance Company Ltd.	-1.22%
IPCA Laboratories Ltd.	-0.68%
Reliance Industries Ltd.	-0.55%

Allocation increase in existing sectors	Weight
Industrials	1.77%
Consumer Discretionary	0.21%
Materials	0.14%

Allocation decrease in existing sectors	Weight
Health Care	-1.02%
Energy	-0.55%
Financials	-0.55%

Data as on 31 January 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

Why Invest In HSBC Large and Midcap 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

Top - 3 Fund House – Sector view

Sectors	Position	Comments
Financials	**Positive**	We maintain a positive view on lending financial institutions and expect them to outperform in the medium term versus non-lenders. Moving on normalisation of asset quality and collection efficiency, the focus has now shifted to growth and market share gains on assets. We continue to prefer large private banks and NBFCs (with good parentage), on account of their strength in capital adequacy, granular deposit franchise and investment in digital infrastructure. We believe these large lenders have emerged stronger post crisis – balance sheets are strongest ever driven by conservative provisioning and high NPA coverage, over the last 2/3 quarters and also, growth/market share is accelerating. Now we expect RoAs to be near or cross previous peaks, which will drive multiples above long-term averages. The recently announced budget has addressed concerns on medium term GDP growth, consequently credit growth and asset quality will surprise analyst estimates. Hence, we remain overweight in this space. Our smaller exposure to the life insurers driven by the financialisation of savings theme.
Real Estate	**Positive**	We continue to remain positive on the sector and is a differentiated call compared to peers. We see the sector on a revival path driven by improvement in the residential affordability and listed players being the beneficiaries of industry consolidation. With low interest rates (coupled with negative real rates), the home purchase affordability is best since 2003. In addition, the current crisis shall accelerate the consolidation amongst the residential developers in favour of the major players especially, the listed companies. Commercial assets such as Grade A office spaces and malls will also see consolidation as new supply will be restricted due to current cash flow issues faced by developers coupled high gestation business models. The current recovery in sales looks promising and is much better than anticipated. Our current exposure are to developers who have a mix of residential portfolio and commercial assets, along with relatively strong balance sheet. Our preference is for residential over retail over commercial.
Healthcare	**Positive**	Our positive stance is on account of the earnings resilience coupled with revenue visibility. Over the medium term, we believe that the profit pool of pharma companies will improve owing to reduction in fixed costs, secular domestic market growth and US business showing signs of improvement. Most of the companies have significantly deleveraged their balance sheets which will aid earnings and returns profile going ahead. Valuations can improve further as the sector offers mid-teen earnings growth visibility and improving return ratios. Our exposure to the sector, is primarily through companies having diversified regional exposure in US generic business and domestic branded market with a higher degree of vertical integration. Our small exposure to hospitals/diagnostics space is under anticipation that demand in the post pandemic phase shall sustain. Also, due to the non-discretionary nature of the demand, we are seeing signs of recovery coming in from elective procedures which were postponed earlier.

Data as on 31 January 2021

Lump Sum Investment Performance

Fund Manager - Neelotpal Sahai (For Equity) Total Schemes Managed - 5
Fund Manager - Amaresh Mishra (For Equity) Total Schemes Managed - 1

HSBC Large and Mid Cap Equity Fund[1]

Fund / Benchmark (Value of ₹10,000 invested)	1 Year		Since Inception		Inception Date: 28-Mar-19
	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)	
HSBC Large and Mid Cap Equity Fund	11,029	10.32	11,867	9.73	
Scheme Benchmark (NIFTY Large Midcap 250 TRI)	11,726	17.31	12,225	11.51	
Additional Benchmark (Nifty 50 TRI)	11,523	15.27	12,037	10.58	

Past performance may or may not be sustained in the future. Refer note below.
The said Fund is managed by Neelotpal Sahai Effective (28 March 2019)
The said Fund is managed by Amaresh Mishra Effective (23 July 2019)

[1] The said Fund has been in existence for more than 1 year but less than 3 years
Performance of the respective benchmark is calculated as per the Total Return Index (TRI)

The Performance of HSBC Focused Equity Fund (managed by Neelotpal Sahai and Gautam Bhupal) is not given since the scheme has not completed one year from the date of inception.

Returns are of growth option. The returns for the respective periods are provided as on January 2021. Returns above 1 year are Compounded Annualized. Standard benchmark is prescribed by SEBI and is used for comparison purposes. Returns on 10,000 are point-to-point returns for the specific time period, invested at the start of the period. The returns provided above have been rounded off and hence there may be minor differences between point-to-point returns vis-a-vis returns indicated above. Different plans shall have a different expense structure. The performance details provided herein are of other than Direct plan. Scheme count for the total schemes managed by the Fund Managers does not include closed ended scheme.

SIP Performance

HSBC Large and Mid Cap Equity Fund			Inception Date: 28-Mar-19
Scheme Name & Benchmarks	1 Year	Since Inception	
Total amount invested (₹)	120000	230000	
Market Value as on January 31, 2021 (₹)	148707	280081	
Scheme Returns (%)	47.54	21.28	
Customised Benchmark Index[12] - Scheme Benchmark (₹)	154346	290829	
Customised Benchmark Index[12] - Scheme Benchmark Returns (%)	57.50	25.68	
Nifty 50 TRI - Additional Benchmark (₹)	150997	281954	
Nifty 50 TRI - Additional Benchmark Returns (%)	51.56	22.05	

Performance of other funds managed by the Fund Manager

Funds Managed by Neelotpal Sahai (Total Schemes Managed 5)

HSBC Large Cap Equity Fund — Inception Date: 10-Dec-02

Fund / Benchmark (Value of ₹10,000 invested)	1 Year		3 Years		5 Years		Since Inception	
	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)
HSBC Large Cap Equity Fund	11,356	13.60	12,115	6.61	18,658	13.27	255,998	19.56
Scheme Benchmark (Nifty 50 TRI)	11,523	15.27	12,841	8.70	19,217	13.94	164,193	16.67
Additional Benchmark (S&P BSE Sensex TRI)	11,505	15.09	13,336	10.08	19,824	14.65	183,875	17.40

The said Fund is managed by Neelotpal Sahai Effective (27 May 2013)

Funds Managed by Neelotpal Sahai (Total Schemes Managed 5)

HSBC Flexi Cap Fund — Inception Date: 24-Feb-04

Fund / Benchmark (Value of ₹10,000 invested)	1 Year		3 Years		5 Years		Since Inception	
	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)
HSBC Flexi Cap Fund	11,061	10.64	10,740	2.41	16,914	11.07	99,301	14.51
Scheme Benchmark (Nifty 500 TRI)	11,582	15.87	12,074	6.49	18,940	13.61	96,546	14.32
Additional Benchmark (Nifty 50 TRI)	11,523	15.27	12,841	8.70	19,217	13.94	93,169	14.08

Past performance may or may not be sustained in the future. Refer note below.
The said Fund is managed by Neelotpal Sahai Effective (27 May 2013)

Fund Manager - Neelotpal Sahai (For Equity) Total Schemes Managed - 5
Fund Manager - Ranjithgopal K A (For Equity) Total Schemes Managed - 1
Fund Manager - Kapil Punjabi (For Debt) Total Schemes Managed - 7

HSBC Equity Hybrid Fund[12] — Inception Date: 22-Oct-18

Fund / Benchmark (Value of ₹10,000 invested)	1 Year		Since Inception	
	Amount in ₹	Returns (%)	Amount in ₹	Returns (%)
HSBC Equity Hybrid Fund	11,257	12.61	13,037	12.37
Scheme Benchmark (30% of CRISIL Composite Bond Fund Index and 70% of S&P BSE 200 TRI)	11,544	15.49	13,517	14.17
Additional Benchmark (Nifty 50 TRI)	11,523	15.27	13,657	14.69

Past performance may or may not be sustained in the future. Refer note below.
The said Fund is managed by Neelotpal Sahai Effective (22 October 2018)
The said Fund is managed by Ranjithgopal K A Effective (23 July 2019)
The said Fund is managed by Kapil Punjabi Effective (18 February 2019)

Performance of the respective benchmark is calculated as per the Total Return Index (TRI)

– The name of the scheme has been changed from HSBC Multi Cap Equity Fund to HSBC Flexi Cap Equity Fund and the fundamental attribute(s) of the scheme have also been changed effective from January 28, 2021.

[12] The said Fund has been in existence for more than 1 year but less than 3 years

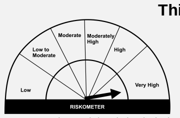
The performance of HSBC Focused Equity Fund which is managed by Neelotpal Sahai is not given as it has not completed 1 year.

Source – Bloomberg, HSBC Asset Management, India, Data as at January 2021 except otherwise mentioned.

Returns are of growth option. The returns for the respective periods are provided as on January 2021. Returns above 1 year are Compounded Annualized. Standard benchmark is prescribed by SEBI and is used for comparison purposes. Returns on 10,000 are point-to-point returns for the specific time period, invested at the start of the period. The returns provided above have been rounded off and hence there may be minor differences between point-to-point returns vis-a-vis returns indicated above. Different plans shall have a different expense structure. The performance details provided herein are of other than Direct plan. Scheme count for the total schemes managed by the Fund Managers does not include closed ended scheme.

HSBC Large & Mid Cap Equity Fund

This product is suitable for investors who are seeking*:



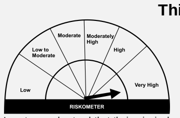
Investors understand that their principal will be at Very High risk

- Long term wealth creation and income
- Investment predominantly in equity and equity related securities of Large and Mid cap companies

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

HSBC Equity Hybrid Fund

This product is suitable for investors who are seeking*:



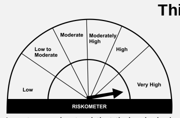
Investors understand that their principal will be at Very High risk

- Long term wealth creation and income
- Invests in equity and equity related securities and fixed Income instruments

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

HSBC Large Cap Equity Fund

This product is suitable for investors who are seeking*:



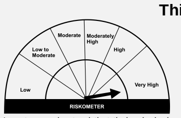
Investors understand that their principal will be at Very High risk

- To create wealth over long term
- Investment in predominantly large cap equity and equity related securities

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

HSBC Flexi Cap Fund

This product is suitable for investors who are seeking*:



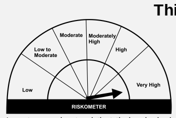
Investors understand that their principal will be at Very High risk

- To create wealth over long term
- Invests in equity and equity related securities across market capitalisations

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

HSBC Focused Equity Fund

This product is suitable for investors who are seeking*:



Investors understand that their principal will be at Very High risk

- Long term wealth creation
- Investment in equity and equity related securities across market capitalization in maximum 30 stocks

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

Note on Risk-o-meters: 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 05, 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.

Source: HSBC Asset Management, India, Bloomberg. Data as at 31, January 2021

Disclaimer:

This document has been prepared by HSBC Asset Management (India) Private Limited (HSBC) for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and / or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information / opinion herein.

This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

HSBC Asset Management (India) Private Limited, 16, V.N. Road, Fort, Mumbai-400001
Email: hsbcmf@camsonline.com | Website: www.assetmanagement.hsbc.com/in

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