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HSBC Mutual Fund

HSBC Small Cap Fund (HSCF)

Product Deck - September 2024

What are Small Caps?

Small Cap Pearls

Emerging businesses with an opportunity to generate higher Alpha

Small Cap Companies 251 st company and beyond #				
Niche and emerging businesses	High growth potential	Relatively volatile and less liquid	Higher research arbitrage	Potential multi baggers
Mid Cap Companies		Large Cap Companies		
<ul style="list-style-type: none">• 101st to 250th stocks#• Emerging businesses• Potential Large caps of tomorrow• High growth potential• Moderately liquid		<ul style="list-style-type: none">• Top 100 stocks#• Evolved businesses with track record• Dominant big players• Highly liquid in markets		

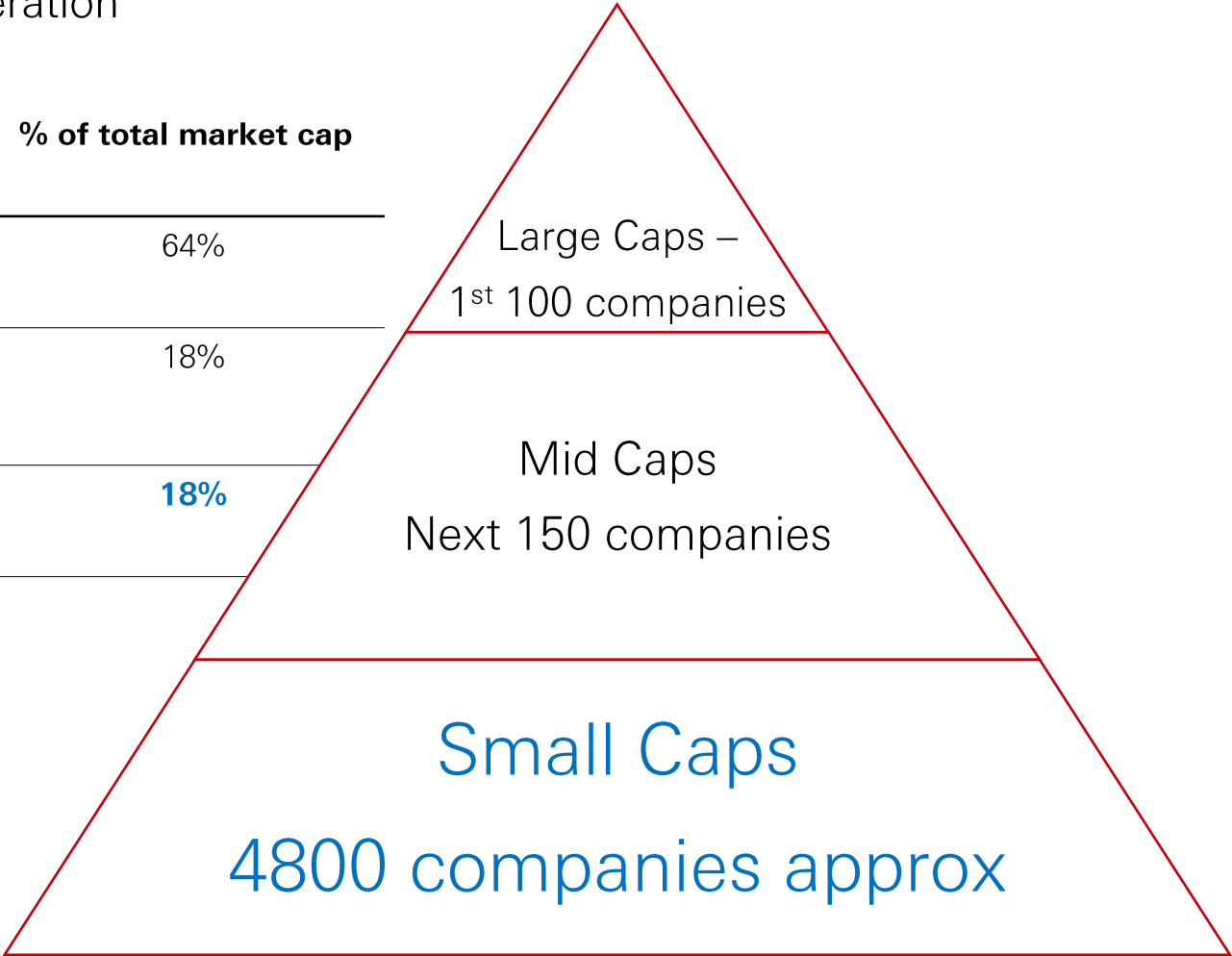
Small Cap advantage : Emerging businesses with growth potential

The asset allocation and investment strategy will be as per the strategy features. #Large-caps are represented by the top 100 stocks on full market capitalisation basis & Mid caps are represented by the next 150 stocks based on full market capitalisation and Small Cap stocks beyond 250th stock based on full market capitalisation basis as per AMFI list.

Small Cap Universe

Higher breadth of opportunities – Potential for alpha generation

Market Cap Segment	Number of companies	Market Cap Range	% of total market cap
Large Cap	1 st – 100 th	Rs. 84325 cr & above	64%
Mid Cap	150 th – 250 th	Rs. 27564 cr to Rs. 82453 cr	18%
Small Cap	251st onwards	Below Rs. 27480 cr	18%



Source: Large-caps are represented by the top 100 stocks on full market capitalisation basis & Mid caps are represented by the next 150 stocks based on full market capitalisation and Small Cap stocks beyond 250th stock based on full market capitalisation basis as per AMFI list. *AMFI – Data ending June 2024.

Small Caps – Under Researched

More analyst coverage, increasing size leading to potential rerating

- Typically size and market cap of company is directly proportional to analyst coverage
- Institutional holding generally comes with increase in size
- More institutional holding generally leads to higher research
- Better disclosure levels are
 - Regulatory requirements
 - New normal as companies want to showcase their business capabilities

Index	Average Analyst Coverage
Nifty 50 Index	35
Nifty Midcap 100 Index	20
Nifty Smallcap 100 Index	10

How we define 'Emerging Businesses'?

Smaller size
Early development stage

Potential to grow revenues and profits at a higher rate relative to mature companies

Hands-on approach by management
More involved

Typically fall into one of the following categories

- Evolving industries
- Smaller players in a large industry catering to niche segments
- Smaller players looking to capture unorganized market in a large industry

Small & Mid cap space offers opportunities across diverse sectors

Industry	Large Caps	Mid Caps	Small Caps
Financial Services	33%	18%	21%
IT Services	14%	7%	5%
Construction	6%	3%	6%
Consumer Durables	3%	4%	6%
Capital Goods	0%	16%	14%
Chemicals	0%	6%	6%
Realty	0%	4%	2%
Consumer Services	0%	4%	3%

Invest across market caps and segments to explore breadth of businesses

Source: Nifty Index factsheets; Percentage weights represent the weights of the sectors in the specific Index. Large Caps is represented by Nifty 50 Index; Mid Caps by Nifty Midcap 150 Index and Small Caps by Nifty Small Cap 250 Index, 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. **Past performance may or may not be sustained in future and is not a guarantee of any future returns.** Latest available data as on 31 August 2024.

Reflection of a developing economy – New sectors in the listed space

Diverse and niche set of companies have come with IPOs recently indicating breadth of market, especially in mid and small caps

Courier services

Premium watch retail player

Pediatric hospital chain

Distributor of healthcare products

Airport management services

Auto dealers

Air drone manufacturer

School & office stationery brand

Insurance third-party administrator

Luxury furniture manufacturer and retailer

Citizen-centric and population scale e-governance solutions

Online travel agency

Business expense management platform

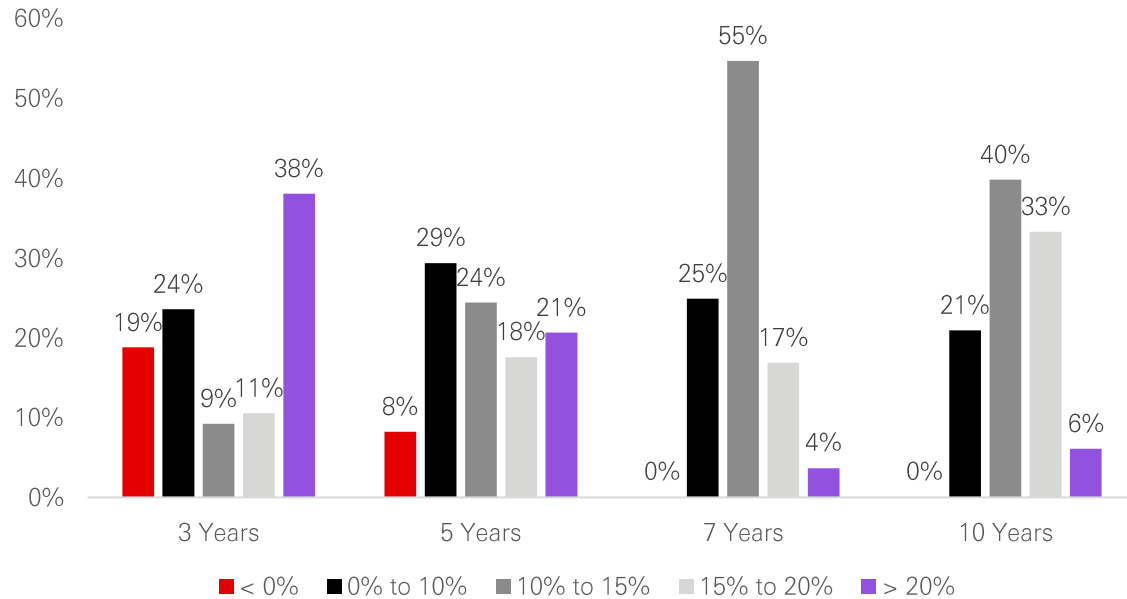
ODM of room air-conditioners

Source: Ace Equities, HSBC Mutual Fund. IPOs from Jan 2022 to March 2024 have been screened for above analysis. All caps indicates name of IPO companies. 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).

Why Small Cap stocks?

Potential alpha generators

Return distribution of Small cap funds



Large under owned universe of small cap stocks

Small Cap stock features



Multi-baggers of tomorrow



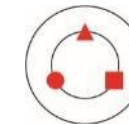
Potential access to growth opportunity



Under-researched and under-owned



Opportunities to spot pricing anomalies



Diversity and alpha potential

Small Cap stocks may offer more probability of delivering high alpha

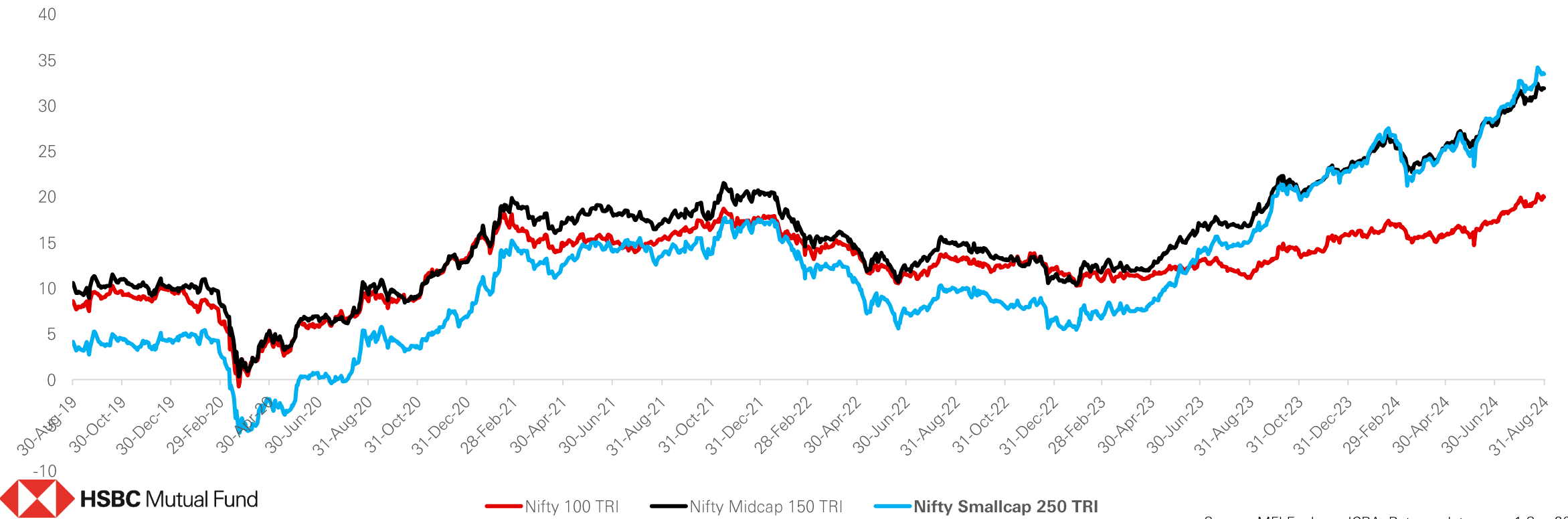
Source: NSE, CRISIL, Data as on 31 August 2024, Small Cap Funds are represented by Nifty Smallcap 250 TRI index, Return distribution is based on a daily rolling returns of period between: 1 January 2005 – 31 August 2024, **Past performance may or may not be sustained in the future and is not indicative of future results.**

Indices Rolling and SIP Performance

Monthly SIP - Returns as on 1 Sep 2024	1 year return	3 year return	5 year return	7 year return	10 year return
Nifty 100 TRI	39.42	23.72	22.61	19.12	16.75
Nifty Midcap 150 TRI	51.35	37.67	35.40	28.06	23.37
Nifty Smallcap 250 TRI	53.17	39.23	37.92	28.43	22.09

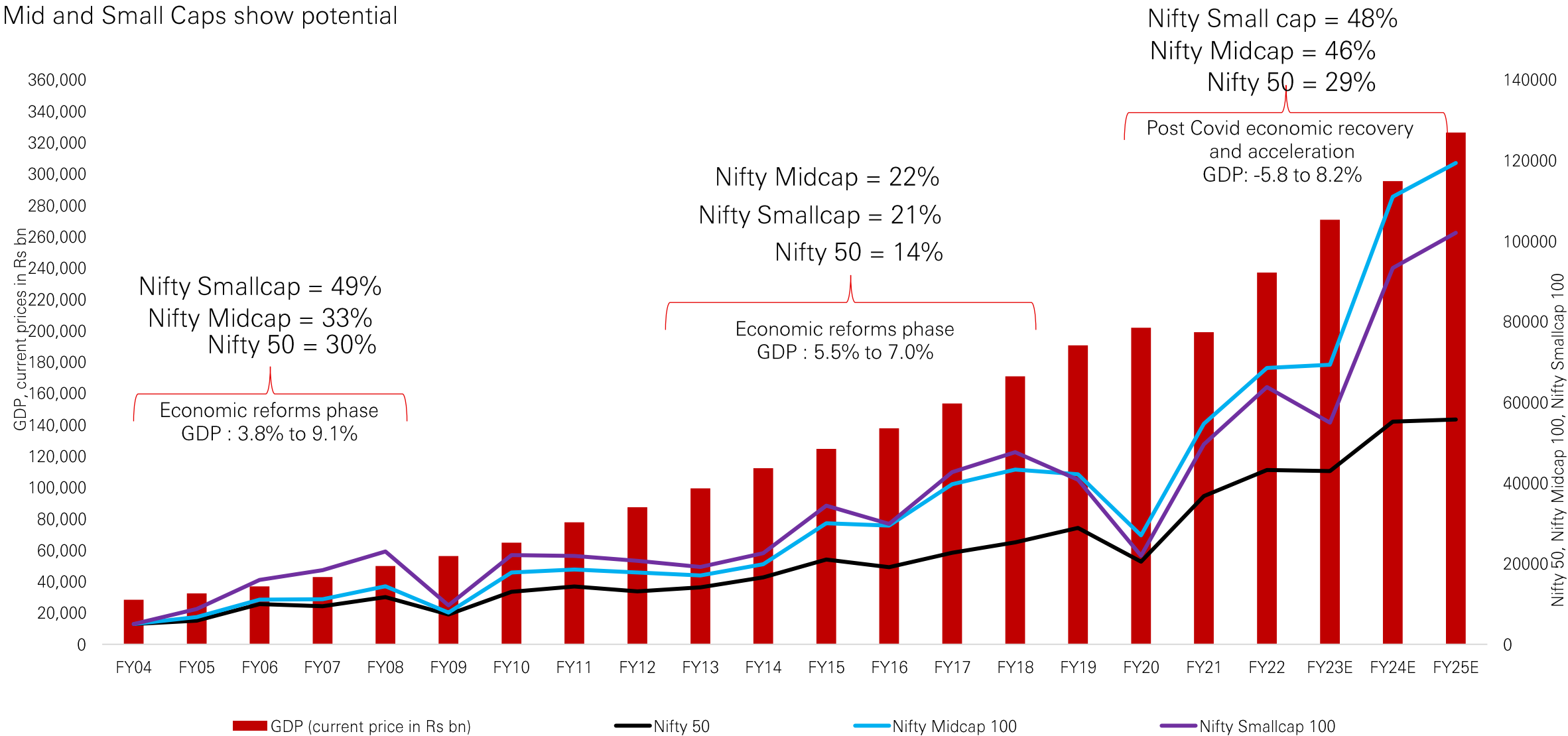
SIP starting 1 Sep of the year

Daily rolling returns - 5 year period : 31 Aug 2019 - 31 Aug 2024

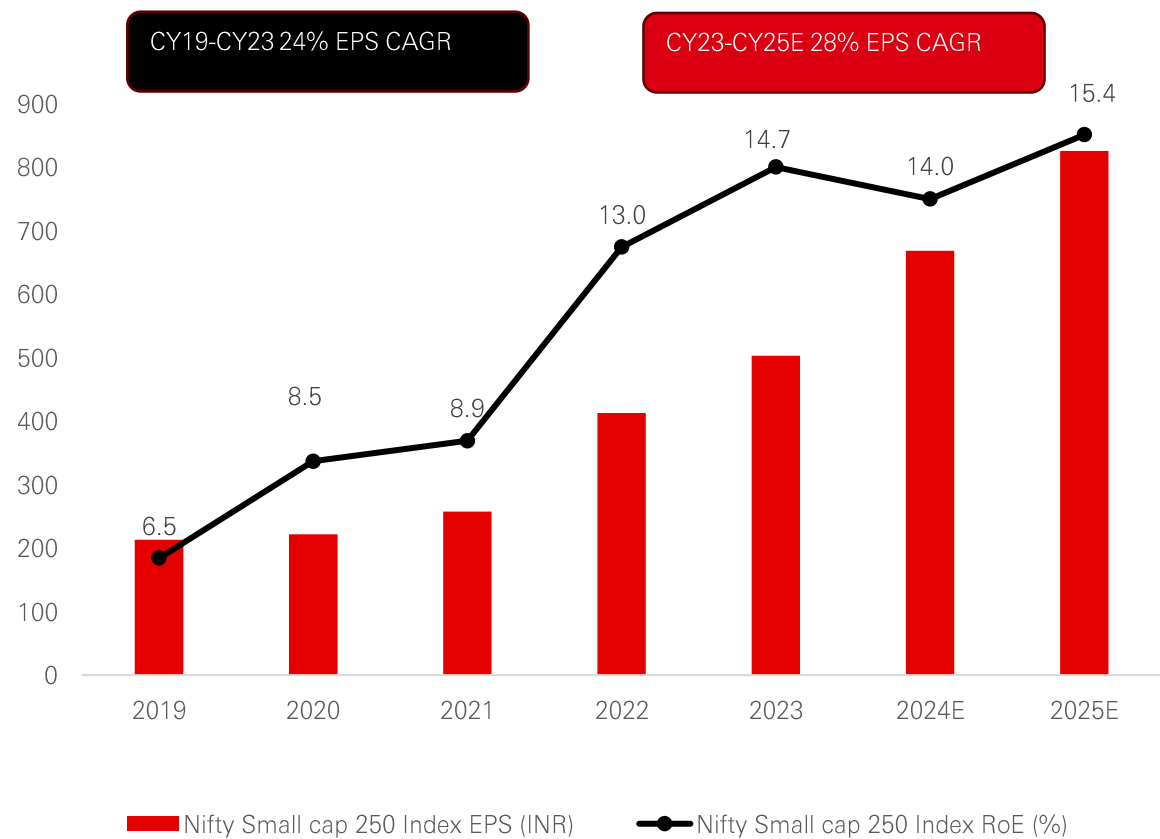
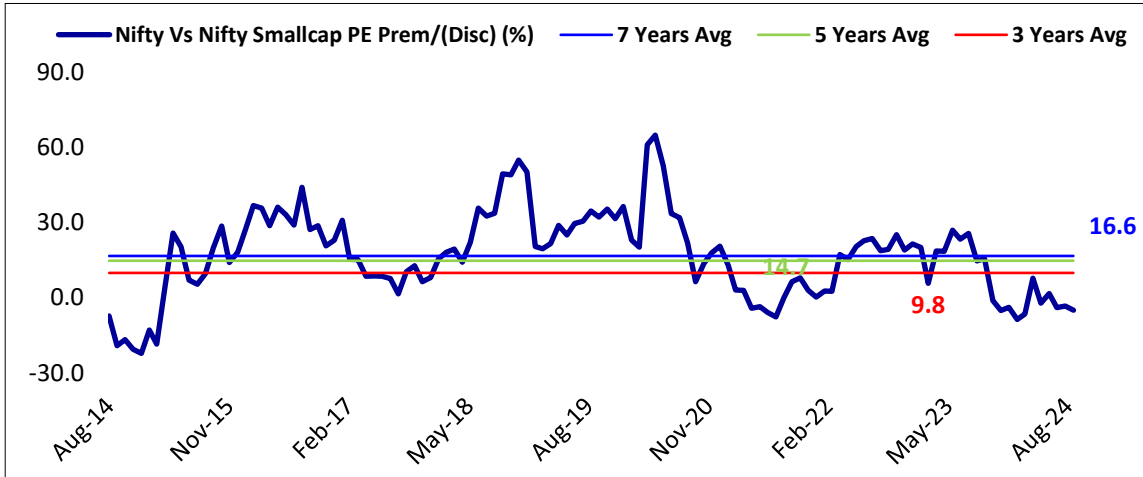
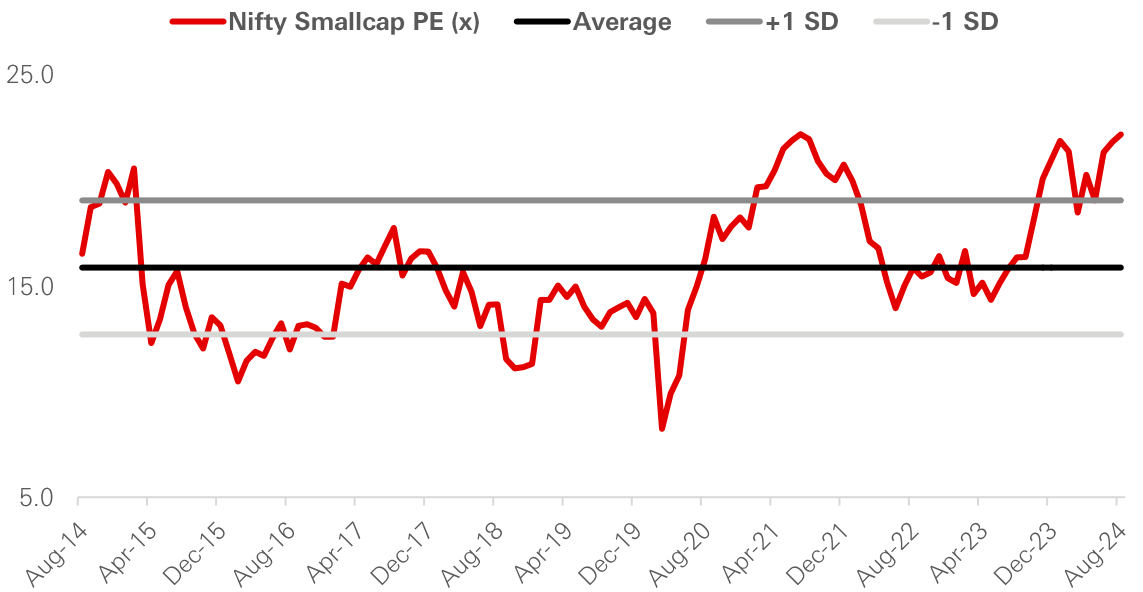


When economic cycle gathers pace

Mid and Small Caps show potential



Valuations above averages but earnings expected to support



However, stock selection is extremely critical in this segment...

Though smaller companies have the potential to grow at a higher rate, not all smaller companies would grow to become mid or large cap over time.

The key is to identify companies with

Scalable
opportunities

Competent
management /
promoters

Strong corporate
governance
practices

Balance sheet
strength

Moats

Such businesses when bought at reasonable valuations could offer significant upside potential over the medium to long term

Remain invested in the right stocks for long - Small Cap to Large Cap progression

Journey of a Small cap stock – Bajaj Finance

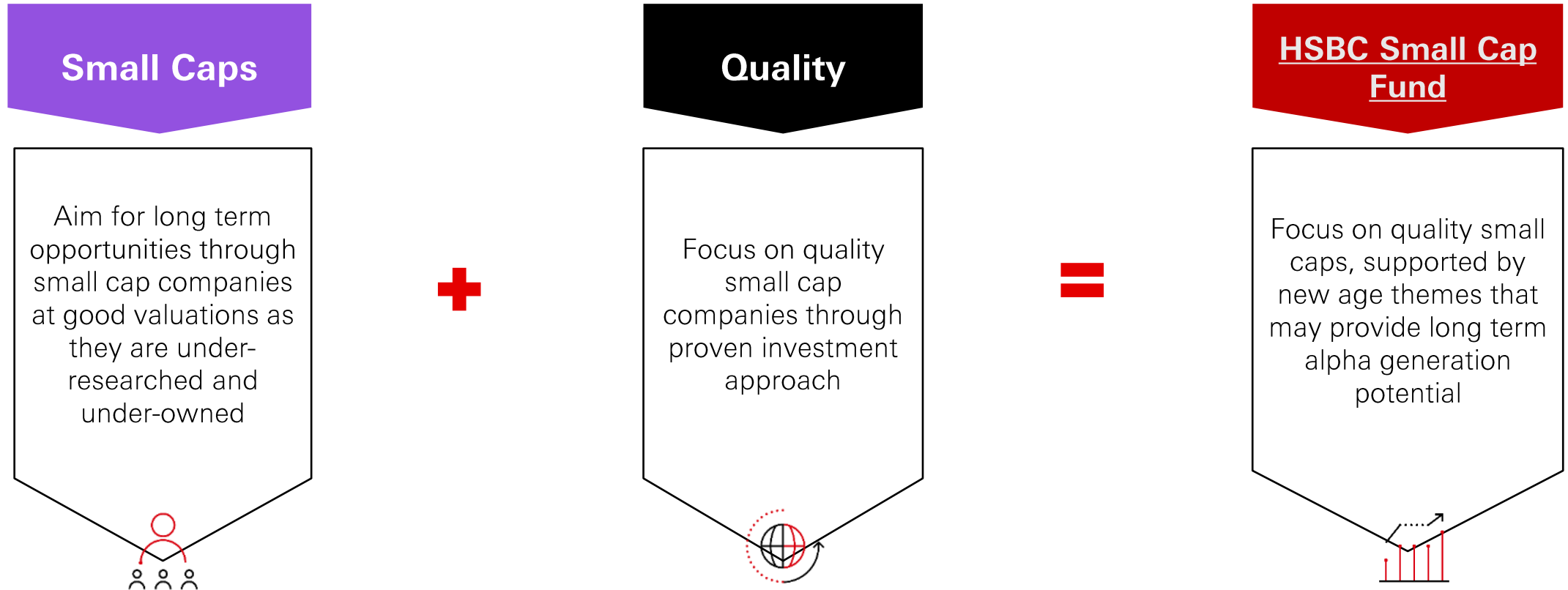
Bajaj Finance stock progression



Benefit through the journey of Small Cap companies to Large Cap

Source: Bloomberg, The above chart and names of the stock is provided for illustration purpose only. Market Cap as on **1** : 9 Mar 09, **2**: 31 Jul 10, **3** : 28 Aug 17, **4**. Price movement is from 1 Aug 10 to 31 Aug 17, The above information is 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. The above company/stock is mentioned for illustration purpose only. The above data/information represents historic performance of the company and for illustration purpose only. The scheme may or may not have future positions in this stock. The above graphs/ analysis should not be construed as an investment advice or research report or recommendation to buy or sell any stock mentioned above. 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. **Past performance may or may not be sustained in the future and is not indicative of future results.**

HSBC Small Cap Fund



Quality Small Cap stocks may provide alpha generation opportunities

Source – HSBC Mutual Fund. Note - Large-caps are represented by the top 100 stocks on full market capitalisation basis & Mid caps are represented by the next 150 stocks based on full market capitalisation and Small Cap stocks beyond 250th stock based on full market capitalisation basis .

- HSBC Small Cap Fund invests in smaller size businesses in their early stage of development
- Small cap stocks aim to have a potential for growth in the long run.
- These businesses may have better revenue and profit growth potential as compared to broader market.
- The fund seek an exposure in small cap segment stocks for alpha generating opportunities in long run
- Follows bottom-up stock selection using our proven investment approach
- At least 65% exposure to small cap companies that comprises of companies from 251st onwards in terms of full market capitalization
- Aims to invest in undervalued, under-owned, and under researched segments that may deliver in long run

Stocks Coverage

559 companies* covered across sectors & market caps

GICS classification - Sectors	Stocks in Coverage
Materials	102
Industrials	102
Financials	89
Consumer Discretionary	83
Health Care	61
Information Technology	40
Consumer Staples	32
Real Estate	14
Communication Services	13
Energy	12
Utilities	11
Total	559*

Large-cap stocks
coverage –
95%*

Mid-cap stocks
coverage –
97%*

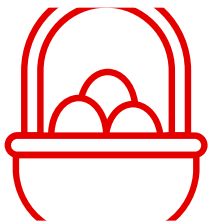
Small-cap stocks
coverage –
91%*

Source: HSBC Mutual Fund; *468 companies from NIFTY 500 Index, remaining outside NIFTY 500 Index, Latest available data as on 31 March 2024; Large Cap: top 100 stocks on full market capitalisation basis; Mid caps - next 150 stocks based on full market capitalization; Small Cap: Stocks in Nifty 250 small cap index; 437 companies from NIFTY 500 TRI, remaining outside Nifty 500 TRI, 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).

Fund Snapshot and Portfolio Strategy

HSBC Small Cap Fund

Fund Category	Fund Manager	Benchmark ¹	Inception Date	AUM
Small Cap Fund	Venugopal Manghat, Cheenu Gupta and Sonal Gupta#	NIFTY Small Cap 250 TRI	12 May 2014	Rs. 16983 Cr



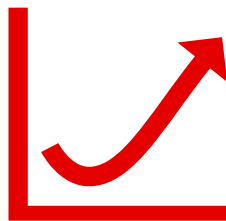
Well diversified
portfolio with wide
representation of
sectors



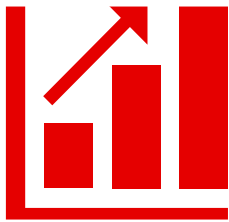
Follows bottom-up stock
selection



Benchmark aware but an
active portfolio



Pre-dominantly growth
oriented but focus is on
buying at reasonable price



Sizing of bets is based on
conviction and opportunity



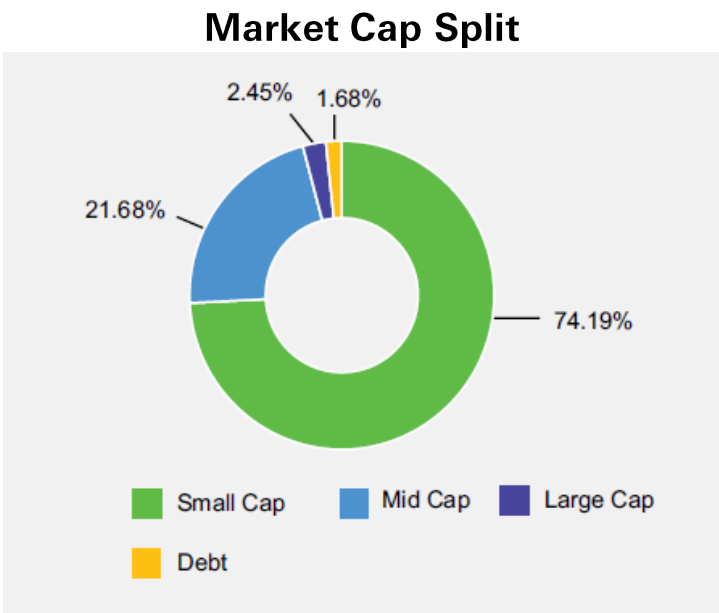
Exposure to other stocks than
small cap stocks in the
portfolio to aim to maintain
stability

¹ As per clause 1.9 of the SEBI Master Circular dated June 27, 2024, 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 effective from 01 December 2021. # Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual, Fund. Source - HSBC Mutual Fund, Data as on 31 August 2024.

HSBC Small Cap Fund

Portfolio – Top 10 stocks	% to net assets
Apar Industries Limited	3.31%
Techno Electric & Engineering Company Limited	2.89%
Trent Limited	2.70%
KPIT Technologies Limited	2.64%
Century Textiles & Industries Limited	2.45%
KEI Industries Limited	2.43%
Neuland Laboratories Limited	2.23%
Sonata Software Limited	1.96%
NCC Limited	1.95%
Brigade Enterprises Limited	1.86%

Sector - Allocation	% to net assets
Industrial Products	18.04%
Construction	8.63%
Auto Components	6.52%
Consumer Durables	6.23%
IT - Software	6.21%
Pharmaceuticals & Biotechnology	5.49%
Realty	5.14%
Capital Markets	5.13%
Textiles & Apparels	4.88%
Finance	4.31%



Quantitative Parameters

Standard Deviation	14.94%
Beta	0.77
Sharpe Ratio	1.36
Tracking Error	5.62
No. of stocks	98

Data as on 31 August 2024, Source - HSBC Mutual Fund

Performance

HSBC Small Cap Fund wealth creation journey

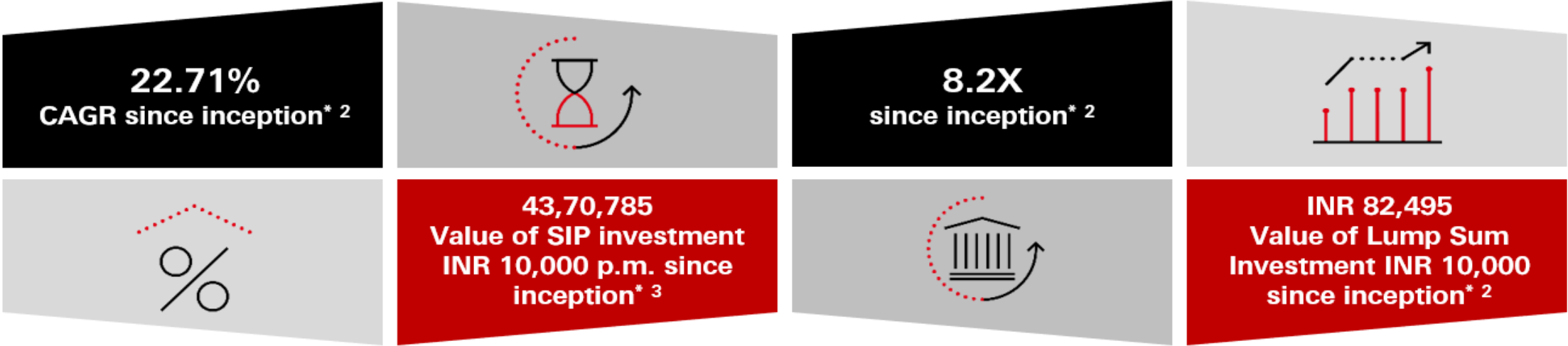
30 Aug 2024

■ HSBC Small Cap Fund - Regular Plan - Growth

■ Nifty Smallcap 250 TRI Index

Rs. 82,495

12 May 2014; Rs.10,000



² As on 30 August 2024 of Growth option regular plan. During the same period, scheme benchmark (NIFTY Small Cap 250 TRI) has moved by 6.8X to Rs 6,87,350 from Rs 100,000 and delivered return of 20.56% Please refer page no. 3 for detailed performance of HSBC Small Cap Fund.

³ During the same period, value of scheme benchmark (NIFTY Small Cap 250 TRI) has moved to 40,16,499

* Since inception - 12 May 14

Performance Disclaimer

HSBC Small Cap Fund* - Regular Plan ~~		Inception Date: 12-May-14						
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 Small Cap Fund	14237	42.37	21686	29.44	40690	32.36	82495	22.71
Scheme Benchmark (Nifty Smallcap 250 TRI)	15326	53.26	21030	28.12	42408	33.46	68735	20.56
Additional Benchmark (Nifty 50 TRI)	13264	32.64	15274	15.17	24262	19.37	40967	14.66
HSBC Small Cap Fund* - Direct Plan ~~		Inception Date: 12-May-14						
HSBC Small Cap Fund	14382	43.82	22447	30.93	43046	33.86	89764	23.72
Scheme Benchmark (Nifty Smallcap 250 TRI)	15326	53.26	21030	28.12	42408	33.46	68735	20.56
Additional Benchmark (Nifty 50 TRI)	13264	32.64	15274	15.17	24262	19.37	40967	14.66

Past performance may or may not be sustained in the future and is not indicative of future results. The performance details provided herein are of Regular 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 August 2024 for the respective schemes. Returns for 1 year and above are Compounded Annualized. Returns for less than 1 year is Simple Annualized. 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 Regular Plan.

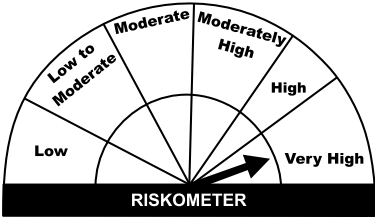
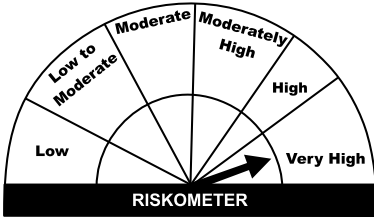
As per clause 5.9.1 of the SEBI Master Circular dated June 27, 2024, the scheme returns vis-à-vis the benchmark return (Total Return Index) shall be disclosed are provided from the date of allotment of units.

Post merger performance of the surviving scheme, arising out of merger of schemes with similar features, is computed as per the provisions of clause 13.4 of the SEBI Master Circular dated June 27, 2024, on Disclosure of Performance of Schemes post-merger using the weighted average performance of both transferor and transferee schemes. In other cases, performance is computed using the Applicable NAV of the surviving/continuing schemes. ~~ Face value Rs 10. Returns for Equity & FOF schemes has been calculated as on last business day NAV provided as on 30 August 2024.

Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

Source: HSBC Mutual Fund, data as on 30 August 2024

Click here: <https://www.assetmanagement.hsbc.co.in/assets/documents/mutual-funds/en/8c7cc1fd-40f6-4e04-a2de-eb849d34ac60/performance-equity-hybrid-debt-global-funds-aug-2024.pdf> to check other funds performance managed by the Fund Manager

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
<div><p><u>HSBC Small Cap Fund</u></p><p>An open ended equity scheme predominantly investing in small cap stocks</p><p>This product is suitable for investors who are seeking*:</p><ul style="list-style-type: none">• Long term capital appreciation• Investment predominantly in equity and equity-related securities, including equity derivatives in Indian markets with key theme focus being emerging companies (small cap stocks); and foreign securities</div>	<div><p>Investors understand that their principal will be at Very High risk</p></div>	<div><p>Benchmark : NIFTY Small Cap 250 TRI</p></div>

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

Note on Risk-o-meters: Riskometer is as on 31 August 2024, 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



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

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