



HSBC Mutual Fund

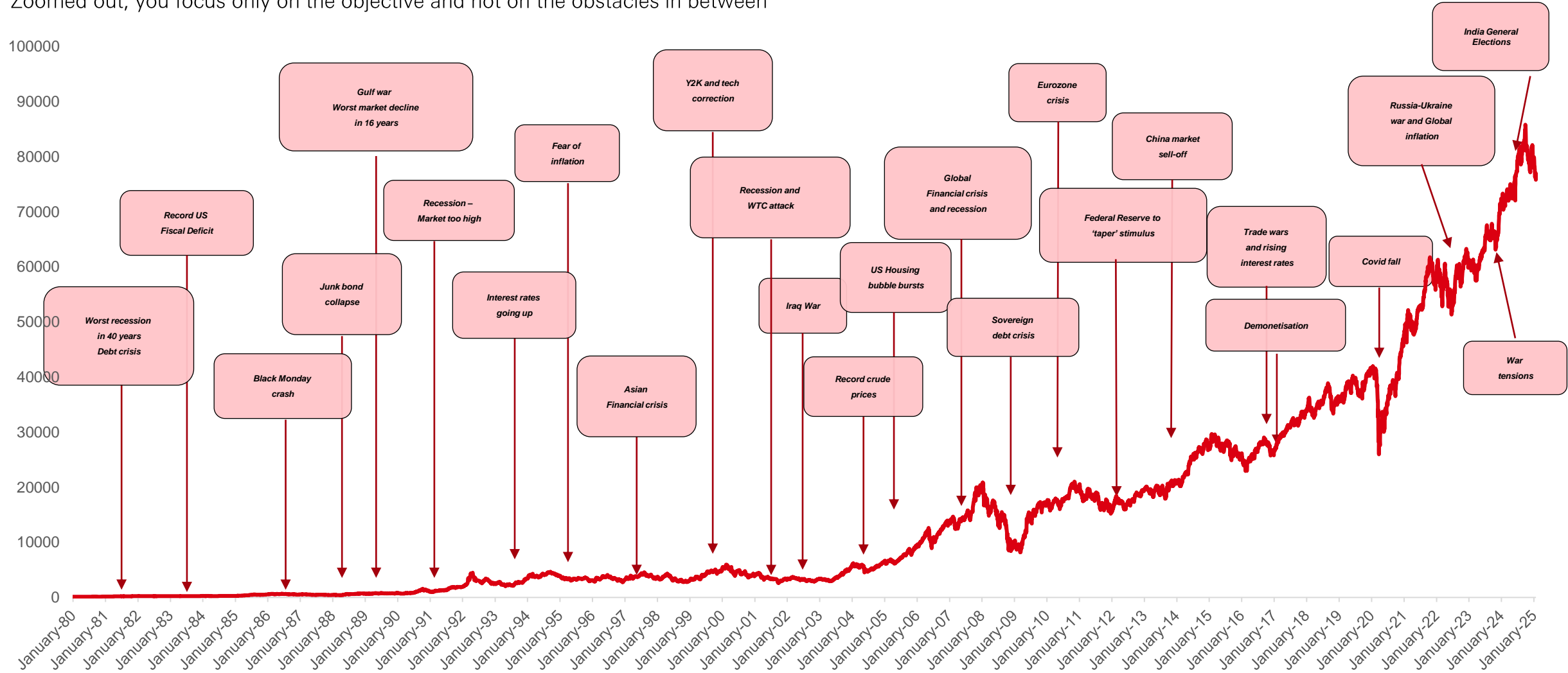
Keep moving ahead through market ups and downs

Market Deck | January 2025

Spot the events...Do you know?

2

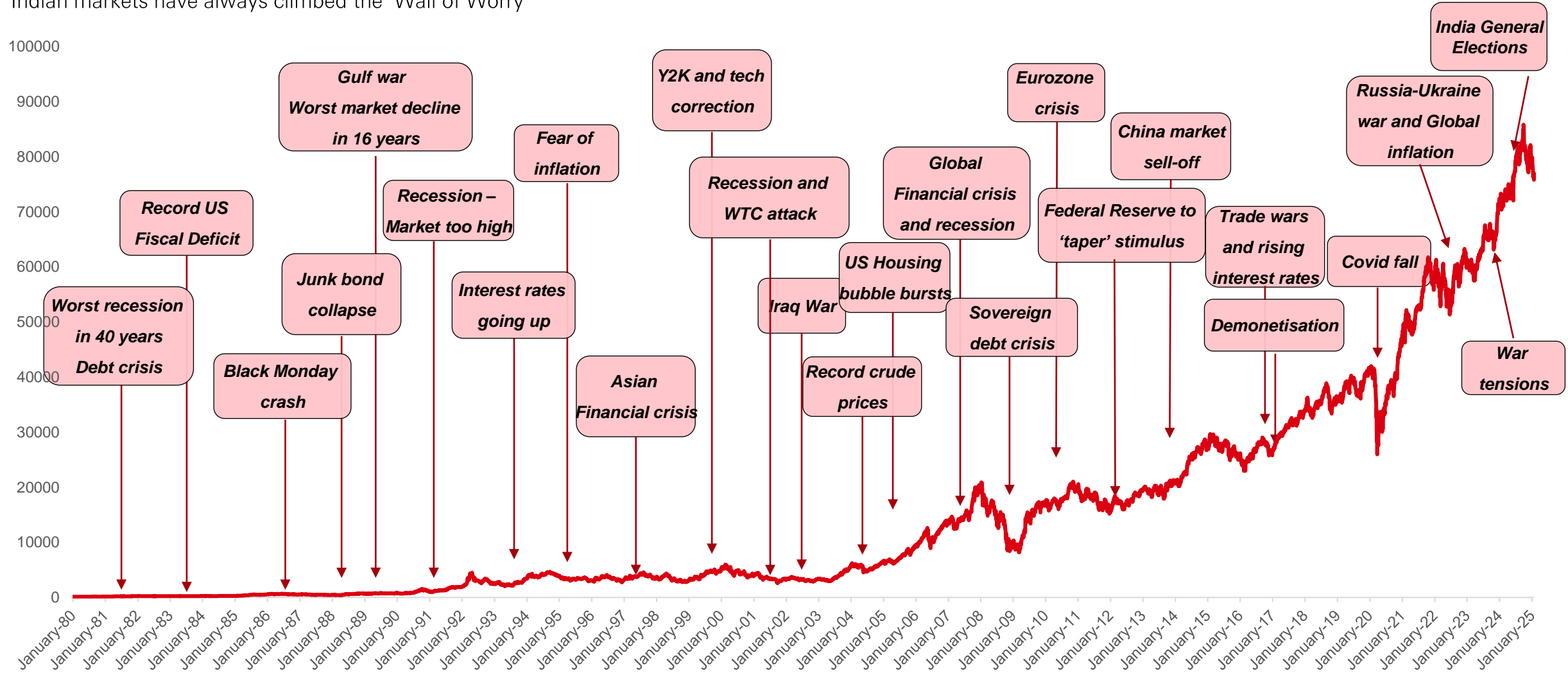
Zoomed out, you focus only on the objective and not on the obstacles in between



Source: BSE Sensex; Data as on 23 January 2025, BSE Sensex value period December 1979 to December 2024, 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Zoom in but don't lose your focus

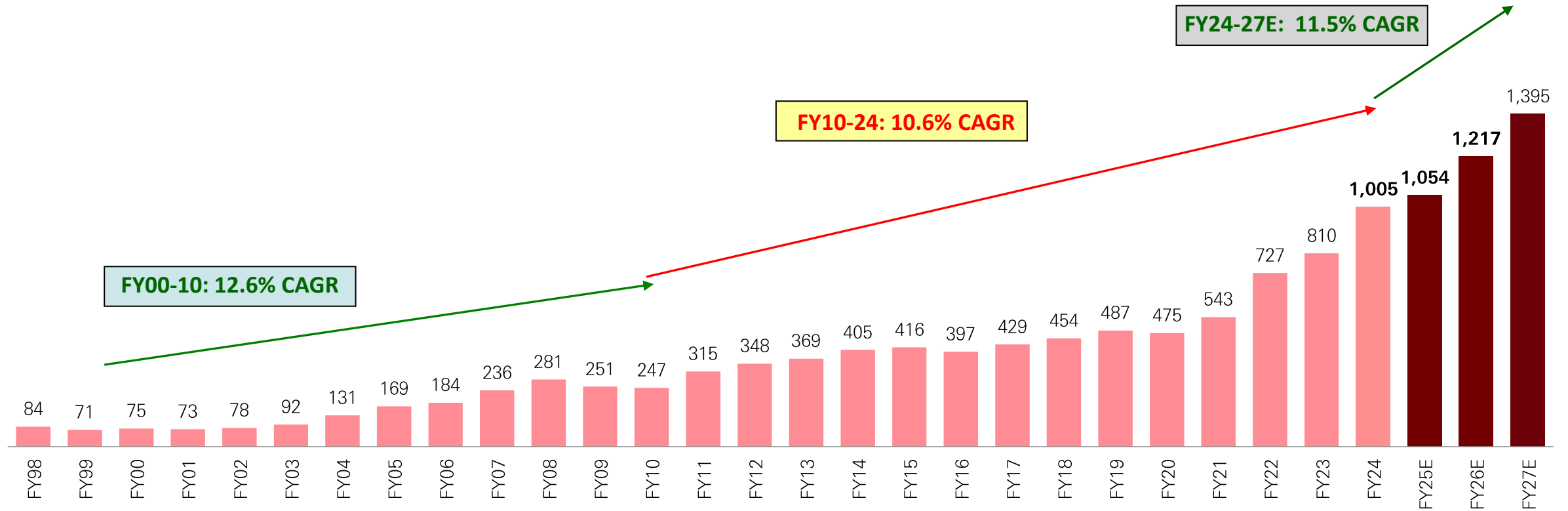
Indian markets have always climbed the 'Wall of Worry'



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Corporate earnings to deliver moderate growth

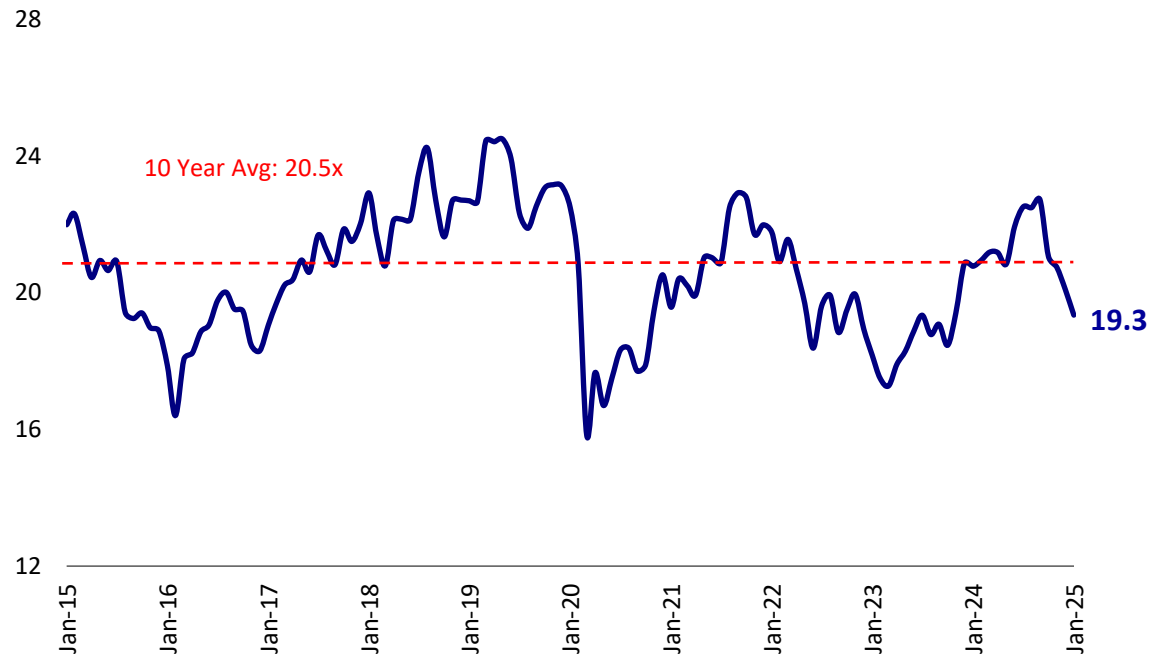
- Nifty 50 earnings delivered 10.6% CAGR over the period FY 2010-24
- Earnings expectation to be moderate with 11.5% growth over FY24-FY27 as per recent projections



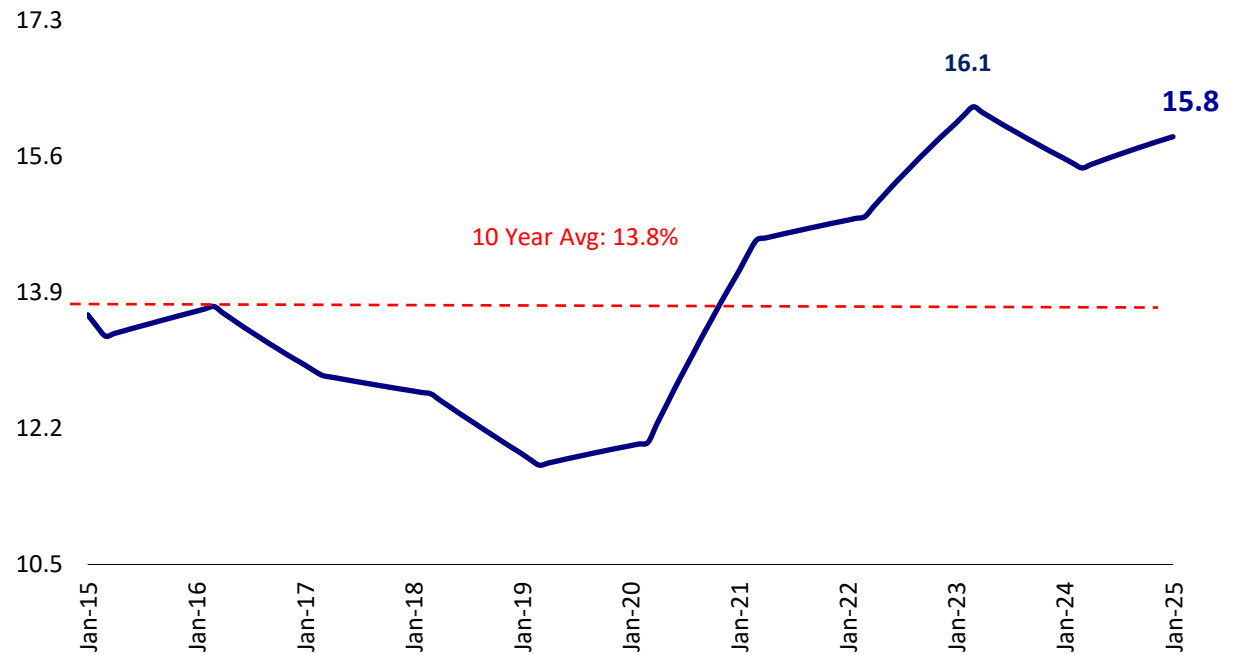
Large cap valuations now attractive.....however, earnings expectations moderate

- ◆ Market correction giving opportunities with Large Caps currently trading below its long-term 10-year average
- ◆ ROEs not far from decadal high of 16.1 though on marginally lower side on account of moderate earnings expectations

NIFTY 50 Forward P/E valuations



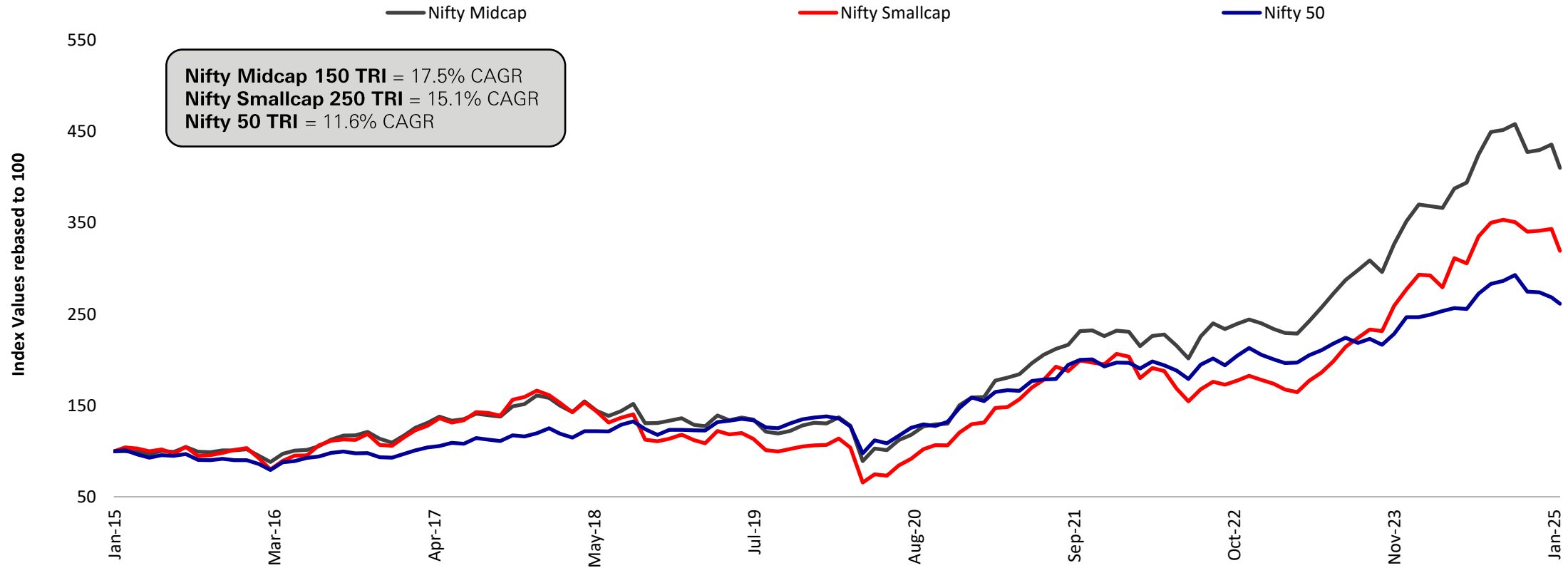
NIFTY 50 ROE (%)



Source – MOSL, Bloomberg, Nifty50 PE/ROE, Latest available data as of January, 2025, 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). Past performance may or may not sustain and doesn't guarantee the future performance.

Mid Caps and Small Caps have delivered higher returns

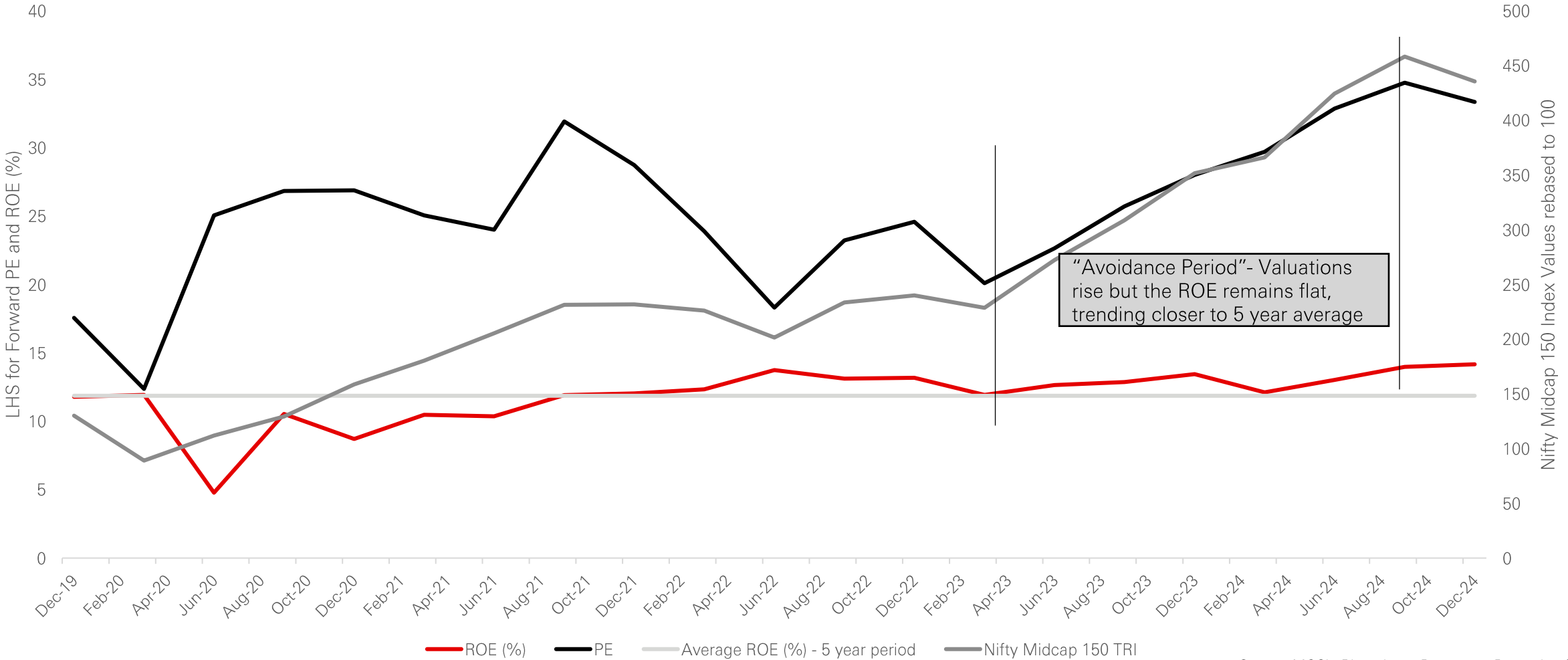
Nifty Midcap 150 TRI vs Nifty Smallcap 250 TRI vs Nifty50 TRI



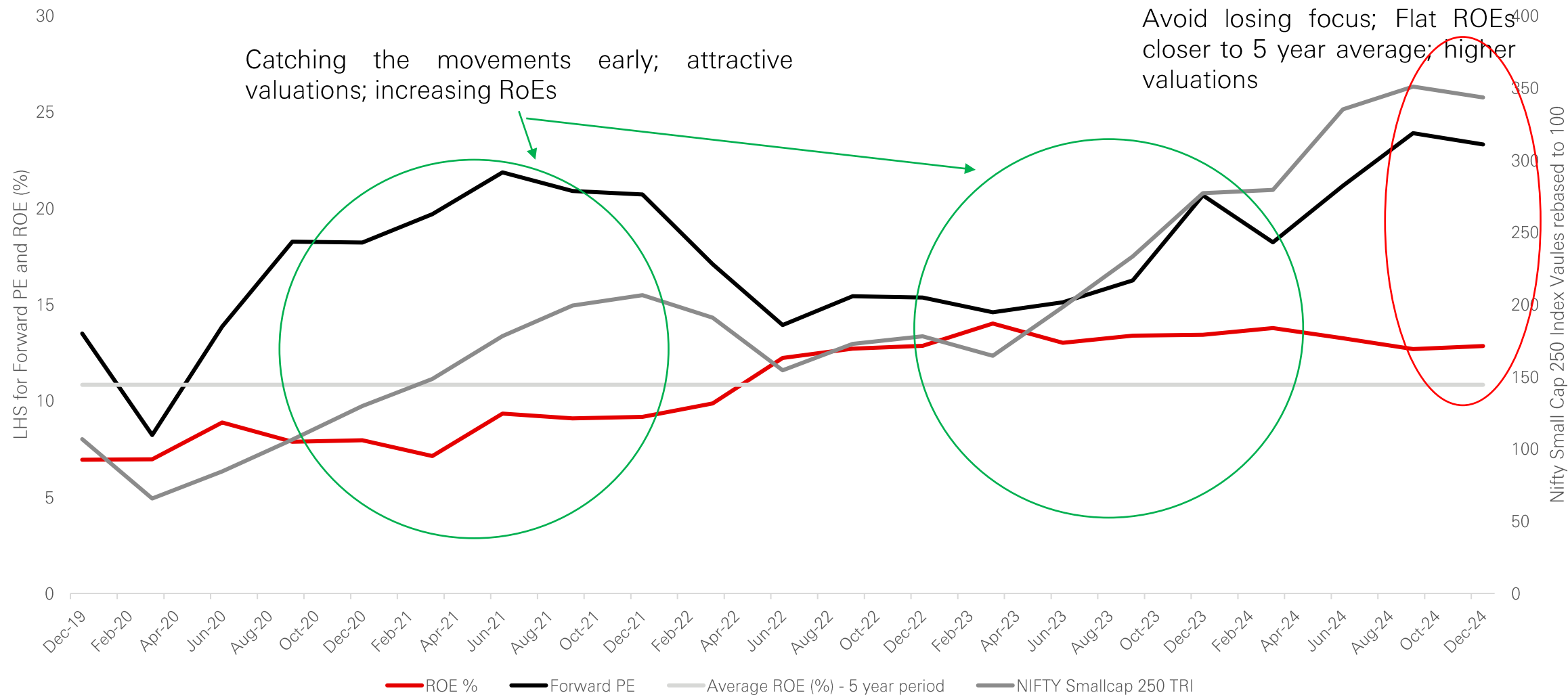
Mid Cap Index – What history tells us? Vs Present Scenario

Valuations correcting from their highs, which seems to be necessary for long term growth.

“Selectors market” – Paradise for stock pickers

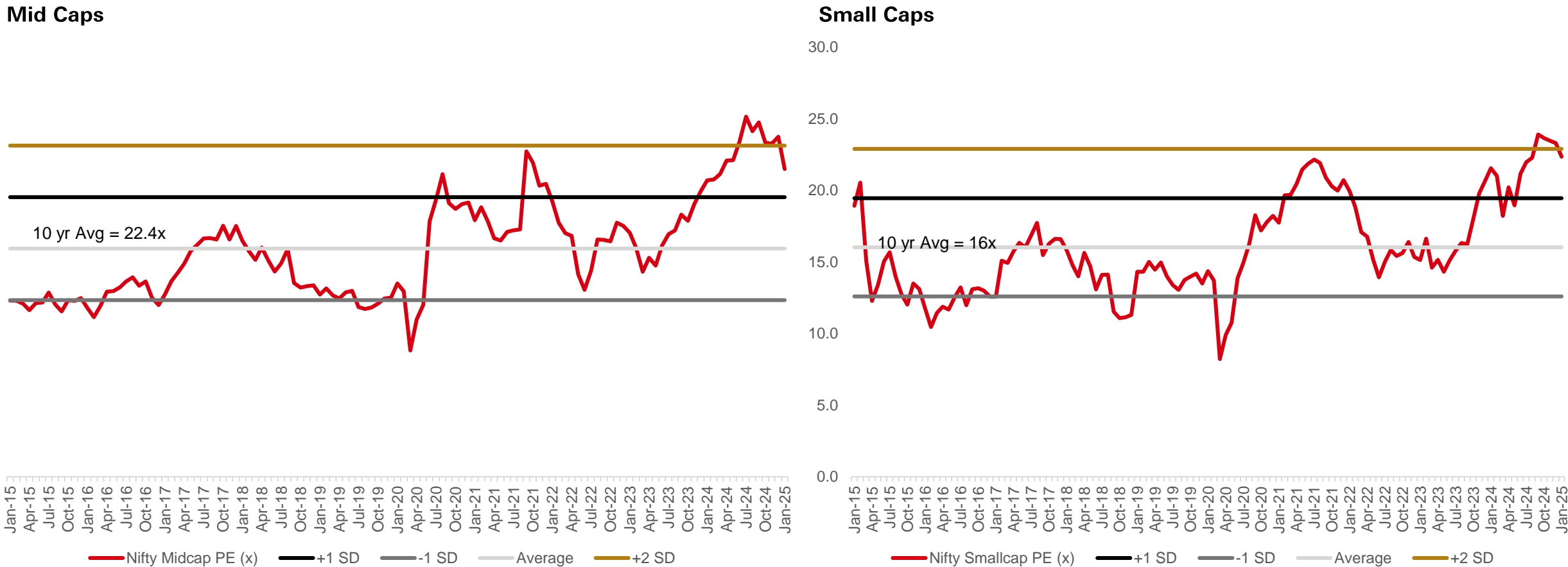


Small Caps (Nifty Smallcap 250 TRI) – Don't fall for FOMO



Mid and small caps PE

- Valuations correcting from their 10-year highs...time for bottom fishing
- Moving towards long term 10-year average from +2 standard deviations in both small and mid caps



Source – Bloomberg, MOSL, Data as on January 2025, Mid caps represented by Nifty Midcaps; Small caps by Nifty Small cap; 1-year forward P/E, SD = Standard Deviation, 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

SMID Valuations correcting...opportunities galore across diverse sectors

10

Industry	Large Caps	Mid Caps	Small Caps
Financial Services	35%	20%	21%
IT Services	14%	8%	5%
Construction	4%	1%	5%
Consumer Durables	2%	5%	7%
Capital Goods	1%	14%	14%
Chemicals	0%	6%	7%
Realty	0%	4%	3%
Consumer Services	1%	4%	4%

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 31st December 2024.

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

11

- ◆ 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

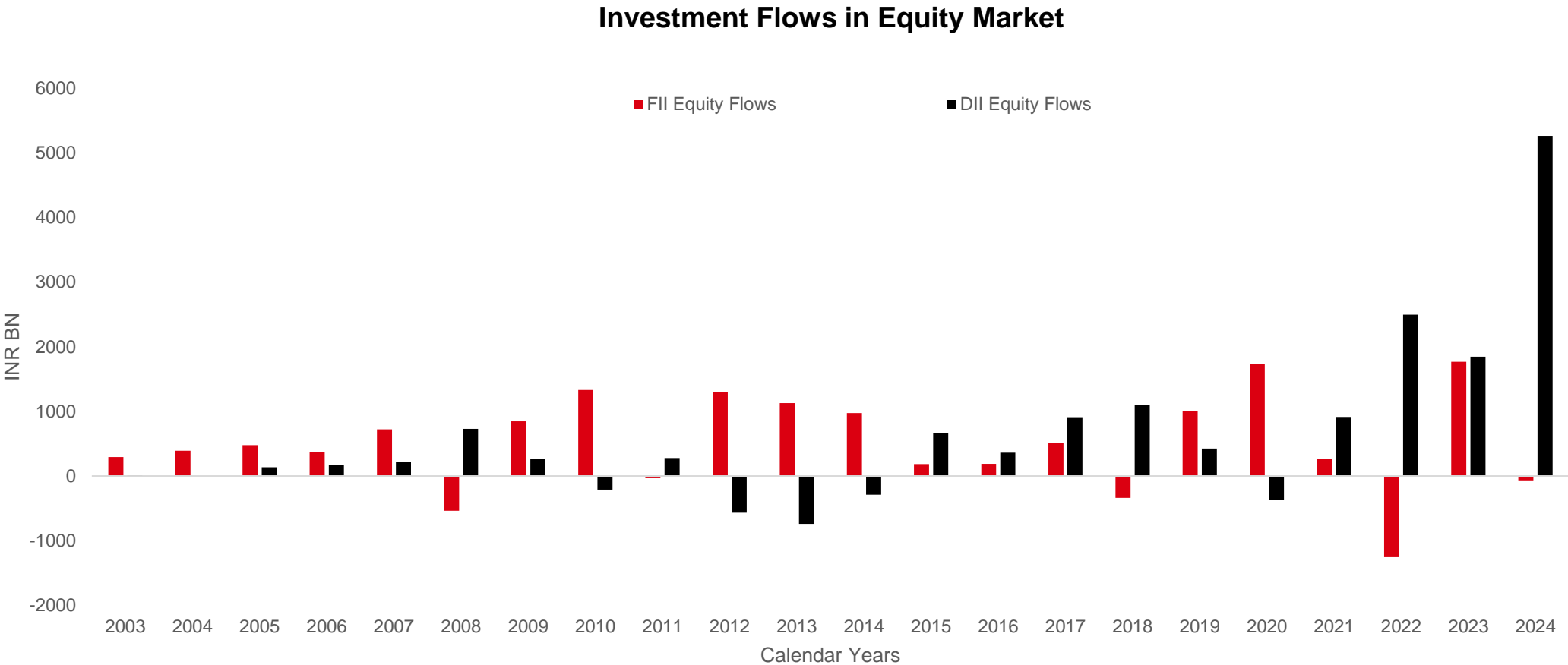
Online travel agency

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.

FII influence over Indian equities reduces as DII ownership increases



Strong domestic inflow drives DII share closer to new highs

Source: MOSL, Bloomberg, Latest available data as on 31ST December 2024. FY 25 Updated as of December 24 only. Past performance may or may not be sustained in future and is not a guarantee of any future returns

Sectoral performance trends

13

Sectoral indices post positive performance over the 10-year period

Indices CY Returns (%)	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY 24	10-year CAGR *
Nifty 50	31.4	-4.1	3	28.7	3.2	12	14.9	24.1	4.3	11.2	8.8	11.1
BSE Sensex	29.9	-5	2	27.9	5.9	14.4	15.8	22	4.4	10.1	8.2	11
BSE CD	66.2	24	-6.3	101.9	-8.8	20.9	21.5	41.8	-11.3	18.6	28.9	20.9
BSE CG	50.5	-8.5	-3.3	40	-1.6	-10	10.6	43.5	16	49.9	21.8	15.9
BSE Realty	8.5	-13.6	-6	106.4	-31.1	26.9	8.7	53.3	-10.3	64.1	33.1	18.1
BSE IT	17.6	4.5	-8	10.8	24.9	9.8	56.7	41.8	-12.1	15.9	19.9	15.1
BSE Auto	52	-0.6	9.4	32.1	-22.1	-11.3	12.6	15.3	16.5	38.5	22.3	10.7
BSE Power	23	-6.4	1.5	19.8	-16.1	-3.7	7.1	67.6	16.6	12.3	19.7	12.8
BSE BANKEX	65	-9.9	7.4	39.1	5.3	20.7	-2.1	13.6	21	2.8	6.2	8.6
BSE Healthcare	48.4	15.1	-12.9	0.5	-5.9	-3.6	61.5	17.6	16.6	31.9	43.5	11.9
BSE FMCG	19.2	1.4	3.3	31.5	10.6	-3.6	10.6	8.6	-10.9	19.2	1.5	10.3
BSE Oil & Gas	12	-3.4	27.2	34	-15.6	7.3	-4.4	24.2	8.4	0.7	13.2	10.2
BSE Metal	7.9	-31.2	36.7	47.8	-20.8	-11.9	11.2	57.1	-24.2	16.2	7.1	10.4
BSE PSU	39.2	-17.2	12.9	19.3	-21.1	-3.9	-16.9	41	25.8	34.7	21.3	8.6

Source: ACE MF and Bloomberg, Figures in red indicate negative returns in that period. *10-year CAGR, Data as on 31st December, 2024,

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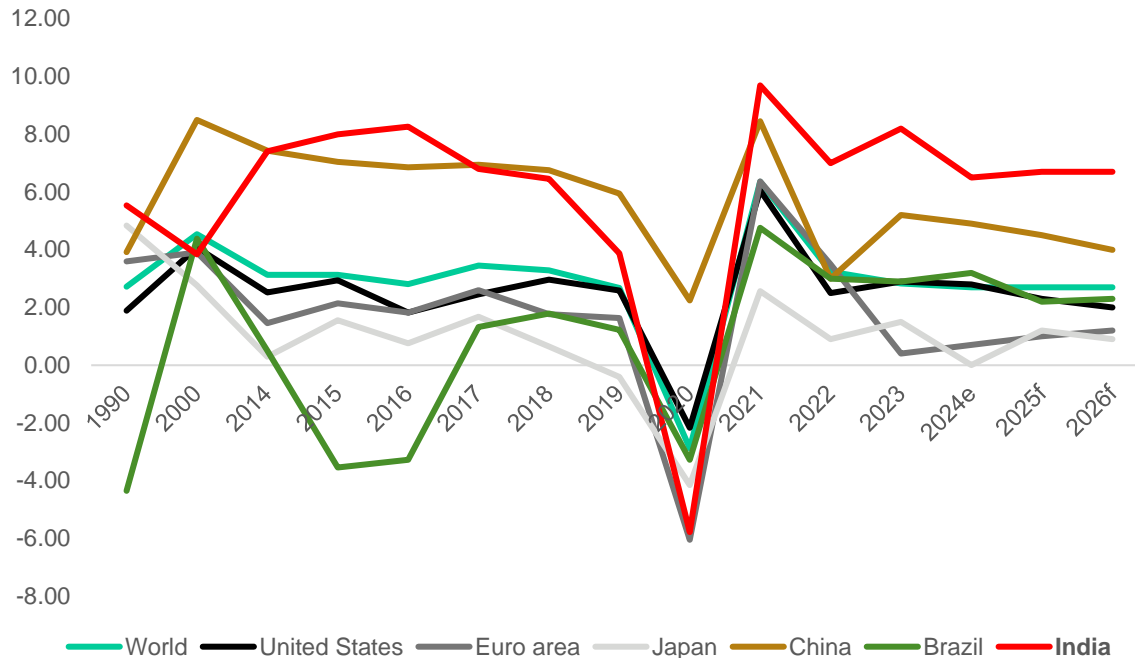
India Macros

Indian economy is estimated to add \$1tn every 1.5 years going forward

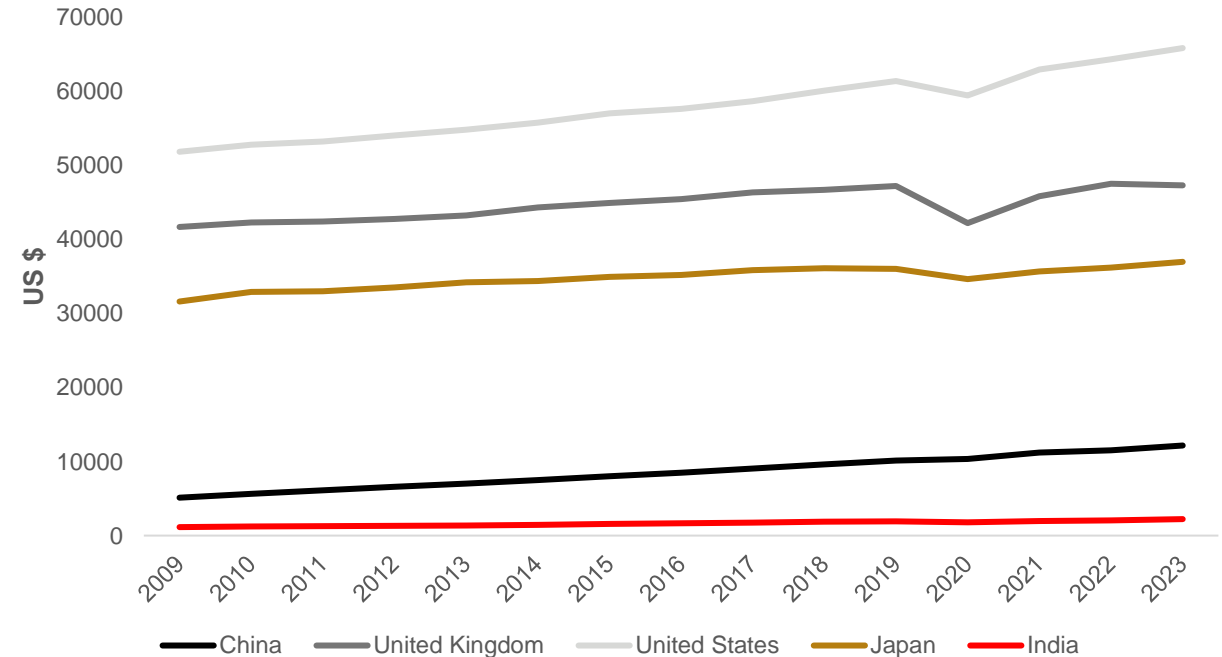
15

India to be third largest economy in next 5 years, after US and China

Real GDP Growth(%)



GDP per capita

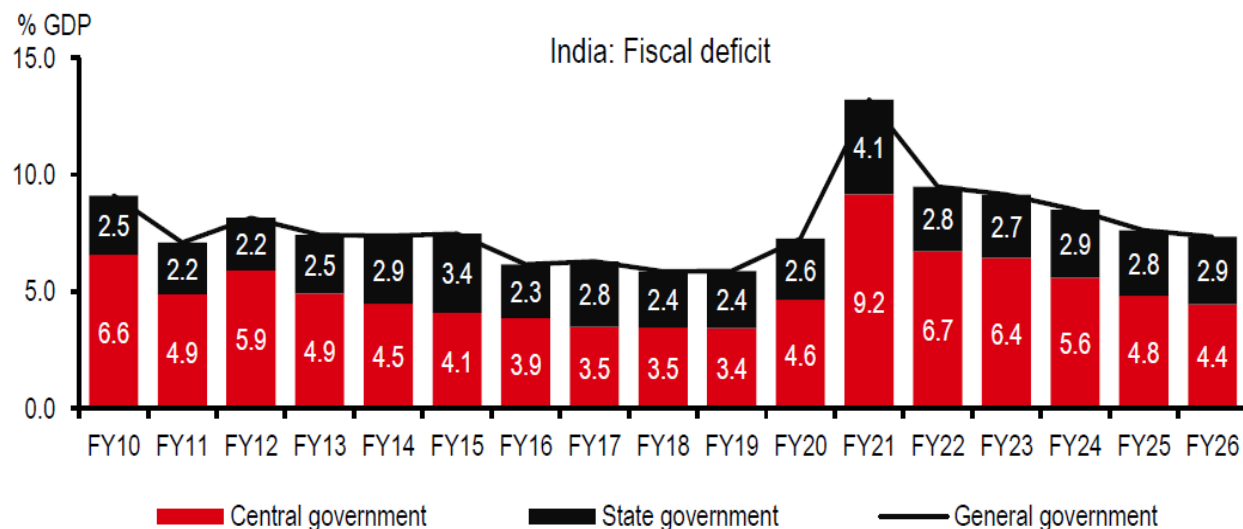


- Growth rate higher than China's however a moderate pace is projected
- GDP per capita to grow from US \$2086 in year 2019 to US\$ 5133 by year 2032, a growth of almost 10% over 10 years

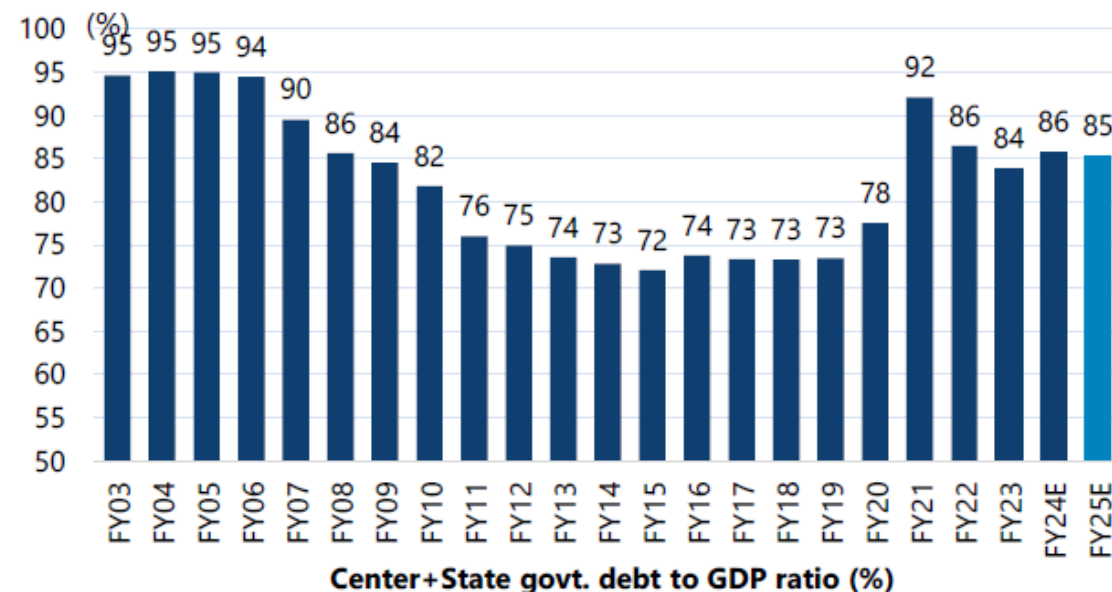
Source: World Bank, RBI, BCG, Data as on Jan 2025, The above information is for illustrative purposes only. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Government focus on Fiscal consolidation, leading to better relative debt metrics

Fiscal deficit to % of GDP



Debt to GDP ratio (%)



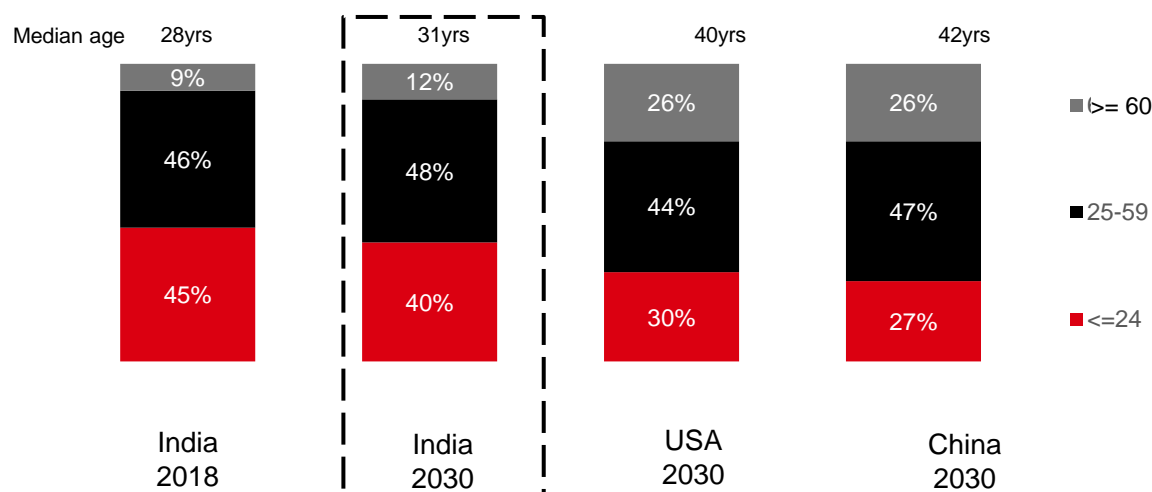
- **FY25 fiscal target is likely to be achieved led by much lower expenditure than budgeted**, particularly on the capex front. Lower expenditure implies marginal lower fiscal deficit for both FY25 and FY26
- **India's public debt level has eased from the highs** of 92% of GDP recorded in FY21 but continues to remain elevated at 85% of GDP in FY25BE. Estimates indicate nominal GDP needs to grow at least 10% YoY to help stabilize public debt at the current level before reducing it.

Source: CEIC, RBI, Budget documents, HSBC Global Research estimates, Jefferies, Latest available data as on Jan 2025, 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). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

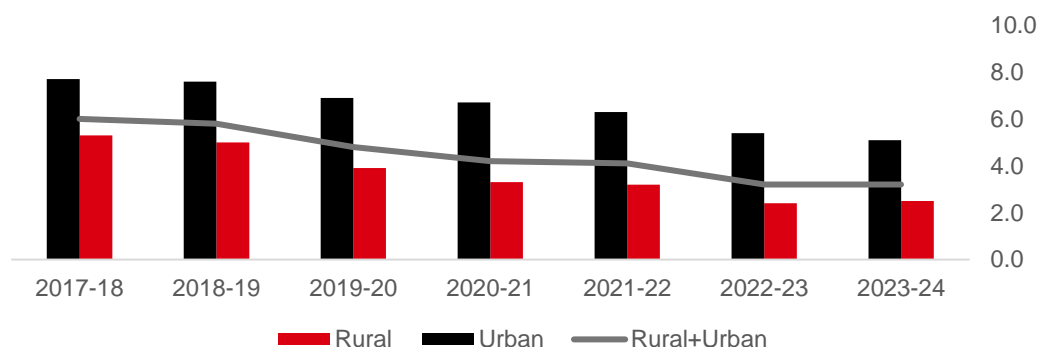
India's workforce and demographics – key factor to GDP growth

17

In 2030, 77% of India's population will comprise Millennials & Gen Z



Reducing Unemployment Rate (%)



Increasing Labor Force Participation Rate (%)

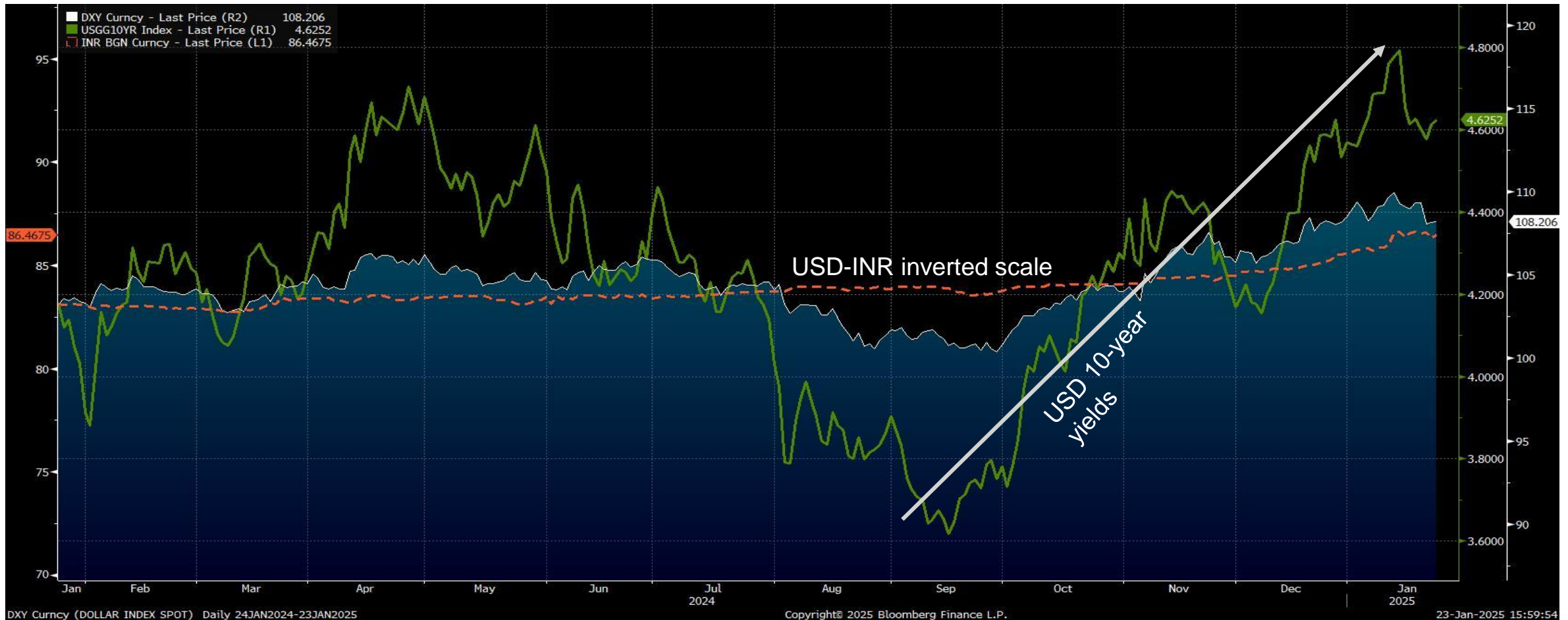
Survey period	Rural (%)			Urban (%)			Rural+Urban (%)		
	male	female	Total	male	female	Total	male	female	Total
2023-24	80.2	47.6	63.7	75.6	28.0	52.0	78.8	41.7	60.1
2022-23	80.2	41.5	60.8	74.5	25.4	50.4	78.5	37.0	57.9
2021-22	78.2	36.6	57.5	74.7	23.8	49.7	77.2	32.8	55.2
2020-21	78.1	36.5	57.4	74.6	23.2	49.1	77.0	32.5	54.9
2019-20	77.9	33.0	55.5	74.6	23.3	49.3	76.8	30.0	53.5
2018-19	76.4	26.4	51.5	73.7	20.4	47.5	75.5	24.5	50.2

- Increasing labor force across genders with **rural workforce growing more than urban; Declining Unemployment Rate**
- India's median age will be just 31 years in comparison to 40 years of the USA and 42 years of China
- India expected to add 22% of the world's working population by 2031**

Strong Greenback...Weak Indian Rupee

18

- Rising US Govt. yields on lower expectations of potential Fed Rate cuts making USD stronger
- INR traded in a very tight band in 2023 & most part of 2024 facing most of the weakening in last quarter of CY24; Higher equity valuations, lower 3QFY24 GDP growth weighed on the INR contributing to its depreciation

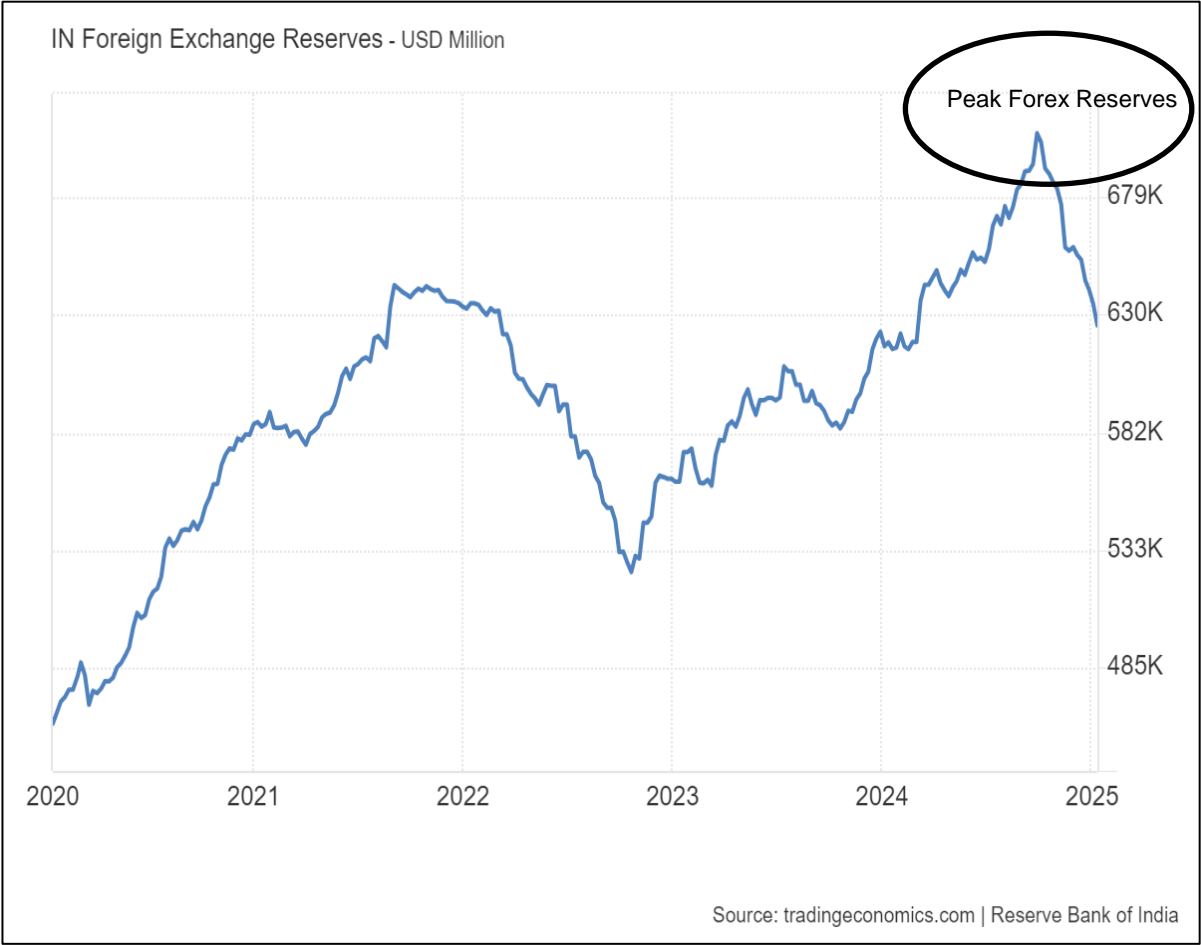


...however abundant forex reserves

India Forex Reserves

Declined from a high of around USD 700 billion but still amongst one of the leading in Southeast Asia

Global Ranking	Economy	FX Reserves (ex. Gold/SDRs) (\$ Billions)	Number of Months for FX Reserves to Cover Imports
1	China	3265.9	15.5
2	Japan	954.1	15.4
4	Taiwan	578.0	17.4
5	India	568.9	8.1
6	Hong Kong, China	425.1	7.8
9	South Korea	395.7	7.8
10	Singapore	356.4	9.2
12	Eurozone	309.1	1.2
14	Thailand	212.0	7.6
20	UK	121.9	1.3
21	Malaysia	108.3	4.1
24	Philippines	93.7	7.8
26	Vietnam	82.3	2.5
32	United States	61.9	0.2



- Indian markets have always climbed the 'Wall of Worry'
- Valuations correcting from their highs, which seems to be necessary for long term growth.
- Corporate earnings to deliver moderate growth
- Large cap valuations now attractive.....however, earnings expectations moderate
- ROEs not far from decadal high though on marginally lower side on account of moderate earnings expectations
- Valuations correcting from their 10-year highs...time for bottom fishing
- SMID Valuations correcting...opportunities galore across diverse sectors

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