

Power meets great potential

HSBC Large and Mid Cap Equity Fund

(Large & Mid Cap Fund: An open ended equity scheme investing in both large cap and mid cap stocks)



HSBC Mutual Fund

Product Deck
July 2023

Contents

Why equities

Why equities now

Why Large and Mid Caps

What is Large and Mid Cap Fund

Performance and Volatility

Risk – return profile of Large and Mid Cap Fund

Presenting: HSBC Large and Mid Cap Fund

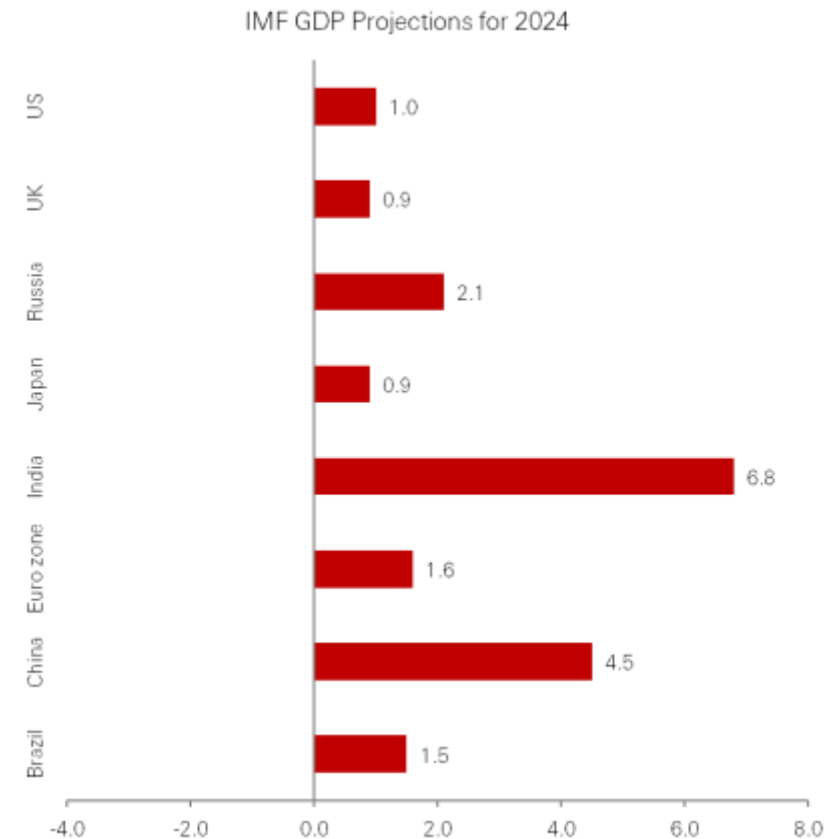
The fund equation: Power meets great potential

Investment approach of the fund

Annexures

Indian economy continues to show relative outperformance

- Trajectory of GDP growth looks promising. India's GDP per capita has grown at a reasonably high rate in the past and expected to show an improving trend.
- With rising per capita income, consumption can grow significantly in emerging new sectors and new-age themes
- GST collections continue to average at ~Rs.1.5 Lakh Cr in FY22-23
- Fall in crude prices, sharper decline in inflation and normalization of geopolitical situation would support the markets
- Focus on manufacturing (PLI scheme), logistics, rural development and employment creation
- Good monsoon should support rural demand along with strong focus on infrastructure spending



Long term outlook for Indian equities continue to grow stronger

Source: CRISIL, Bloomberg, World Bank, Crude prices – NYMEX, Data as at June 2023

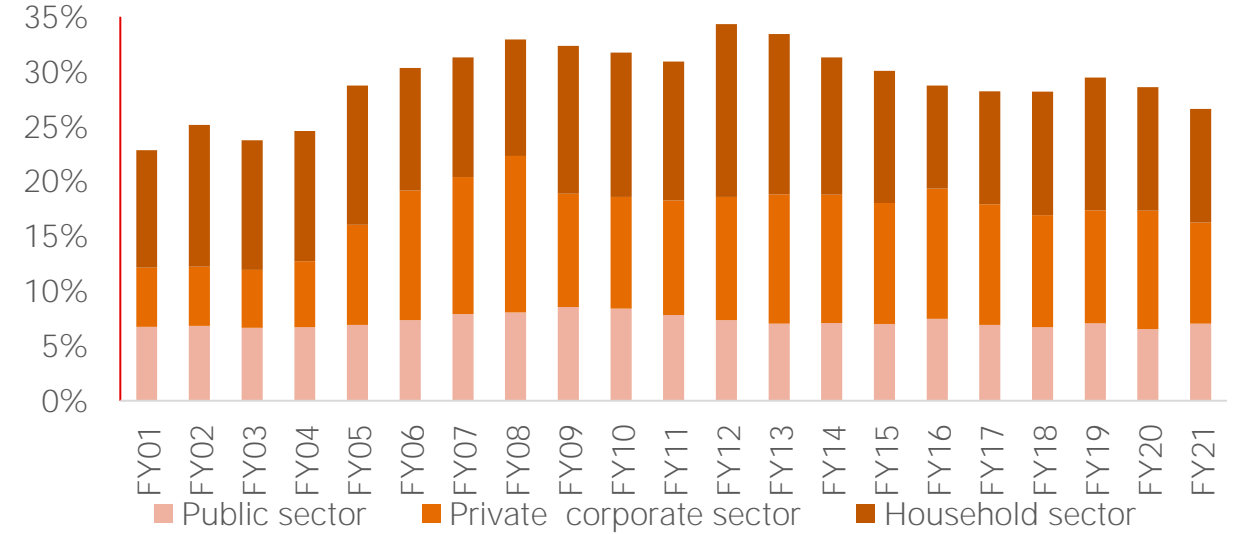
Key drivers for economy

Consumption in India remains an exciting opportunity



- Consuming class income (Households earning above Rs 0.5mn) of India to double by 2030
- Overall consumption market expected to triple by 2030
- Total Income of Consuming class (INR trillions)
- **Consuming class HH to grow 80% and reach almost half of Total HH**
- Consumption in India remains an exciting opportunity

Government capex steady but private and household weak

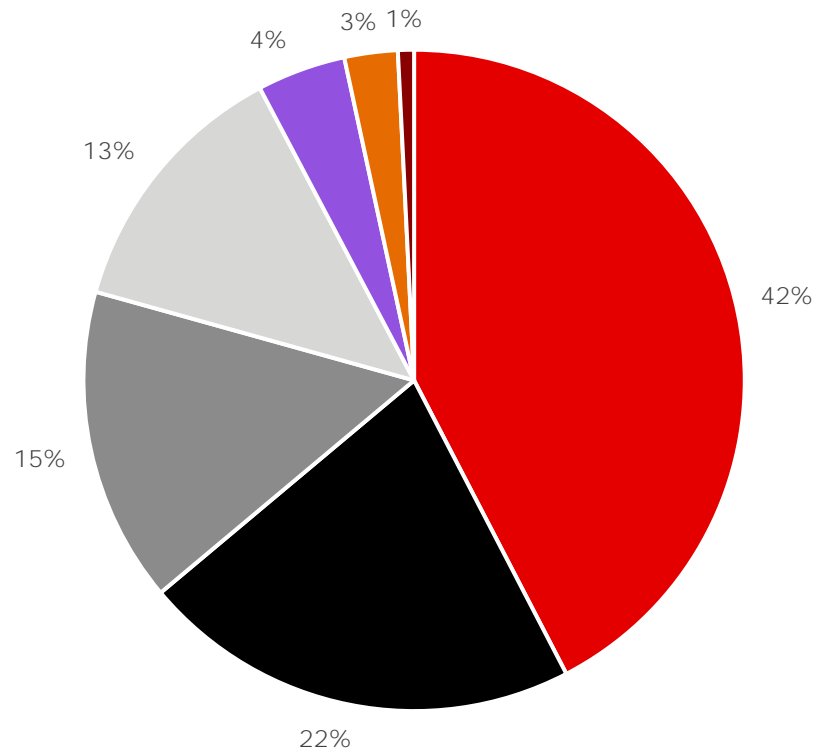


- Government capex should continue to support infra spending
- Government support for localization and capacity addition through PLI should also support corporate capex recovery
- New areas for manufacturing driven by energy transition to help corporate capex revival
- Recovery in real estate cycle with improved affordability should drive household capex

Source: BCG, Bloomberg, As per latest available data, Data as at March 2022,

Infrastructure remains a key focus area for the government

National Infrastructure Pipeline
(Rs 100 tn over FY20-25)



- Transport
- Energy
- Water & Sanitation
- Social Infrastructure
- Commercial Infrastructure
- Logistics
- Communication

Railways	Logistics	Power	Urban Infra
<ul style="list-style-type: none"> • Dedicated Freight Corridor • Increase rail share in freight to 45% • National Rail Plan • 400 Vande Bharat trains over the next 3 years 	<ul style="list-style-type: none"> • Decrease logistics cost from 14% of GDP to single digit • National logistics policy for multi-modal transport • Transition to organized to accelerating with GST and E-invoicing compliance 	<ul style="list-style-type: none"> • Renewable energy target of 500 GW by 2030 • Power transmission capex of Rs. 2.44Tn by 2030 • Revamped Distribution Sector scheme of Rs. 3tn to improve performance 	<ul style="list-style-type: none"> • Budgetary allocation for Housing and urban dev. increased to Rs 943 bn from Rs 265bn in 2015 • 445Km Metro under construction and another 425Km of approved routes

PLI to support themes like Localization and New energy

Income growth

- Consumption
- Urbanization
- Housing demand

Infra spending

- Railways
- Power
- Roads
- Urban Infra
- Gas Infra

Localization

- China + 1
- Electronics
- EVs
- Advanced technologies
- Semiconductors

New Energy

- Solar PV Modules
- Batteries
- Hydrogen

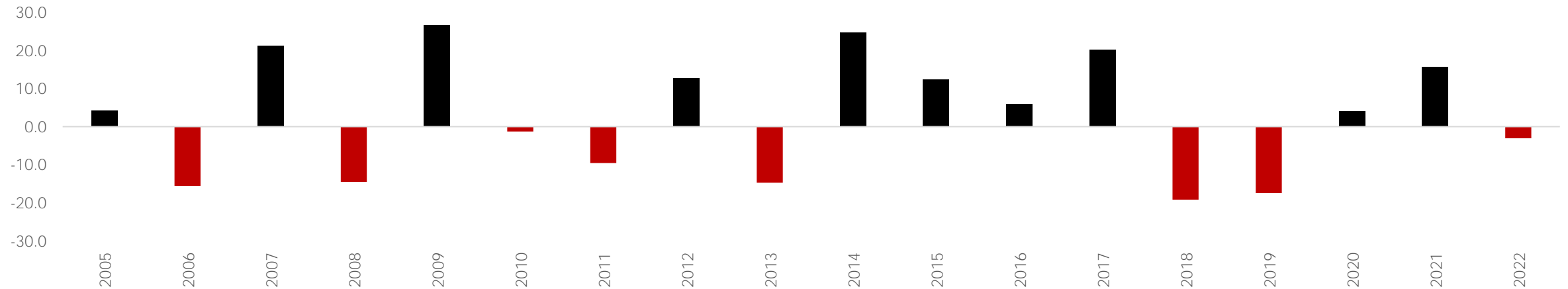
Defence

- Share of local procurement to increase
- Private sector participation

Achieving performance balance in changing market cycles

Need for the all season performance

Mid Caps outperformance / underperformance over Large Caps (CY%)



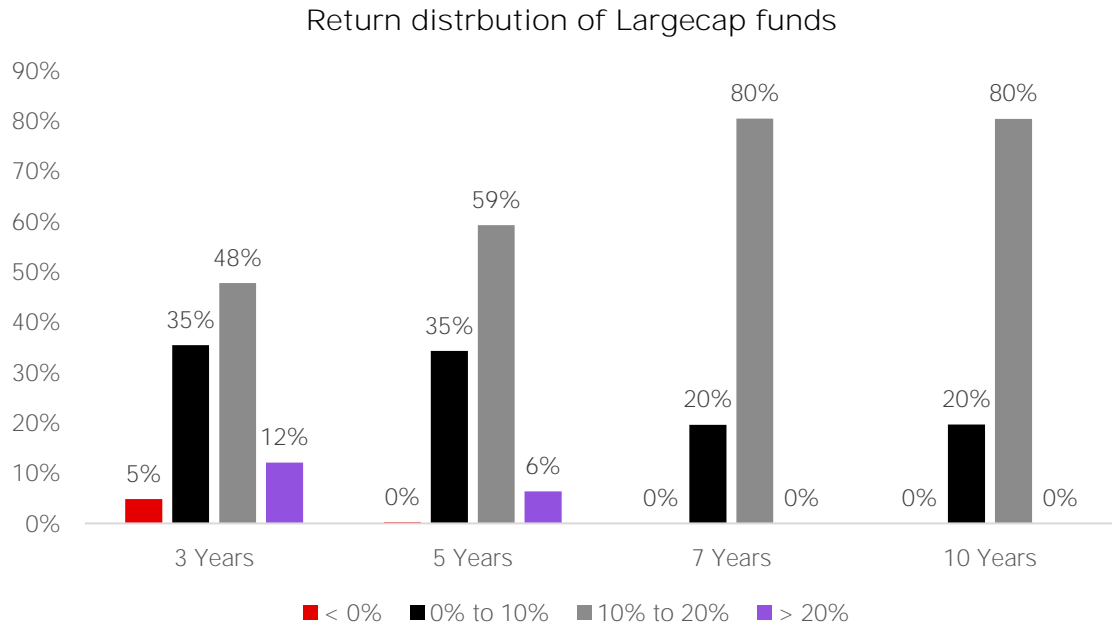
- Large & Mid Cap stocks typically may not perform in the same market cycles
- The need for all season performance could be met with a combination of Large & Mid Caps in the portfolio
- Frequent changes in market cycles call for constant allocation in Large & Mid Caps – A more disciplined approach

Large, Mid Caps can outperform each other in the different time periods

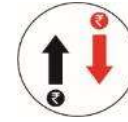
Source: ICRA MFI, Data as at Dec 2022, Index - Large Cap = S&P BSE Sensex, Mid Cap = S&P BSE Mid Cap, Past performance may or may not be sustained in the future.

Why Large Caps?

Consistency is the key



Large Cap Features



Low volatility



Relatively stable earnings growth



Well-researched



Well-owned



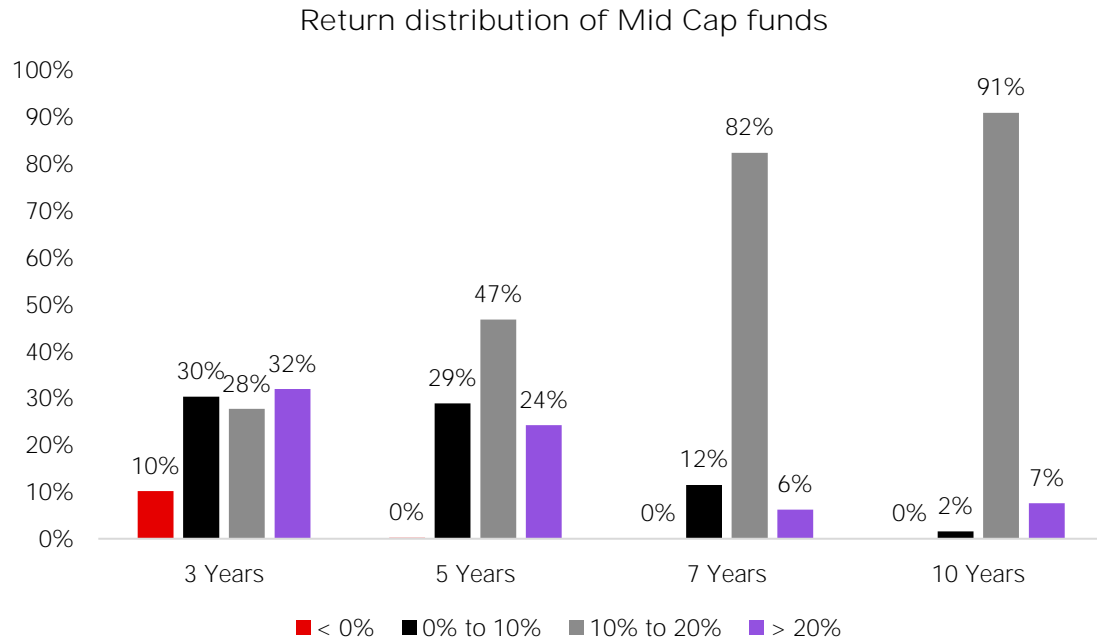
Reasonable valuations

Large Caps offer lower probability of negative returns or limit downside within equities over the long term

For illustration purpose only. Source: CRISIL, Data as at 31 Dec 2022, Large Cap Funds are represented by weighted average index of 31 Large cap funds representing the Large Cap category. Return distribution based on a daily rolling returns of various holding periods. Period considered: 1 January 2005 – 31 December 2022, Returns of Large cap funds is average of CRISIL ranked schemes of the respective category. Past performance may or may not be sustained in the future. For illustration purposes only

Why Mid Caps?

Long term growth



Mid Cap Features



Historically above average performance



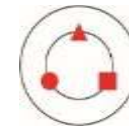
Earnings acceleration



Relatively Under-researched



Relatively Under- owned



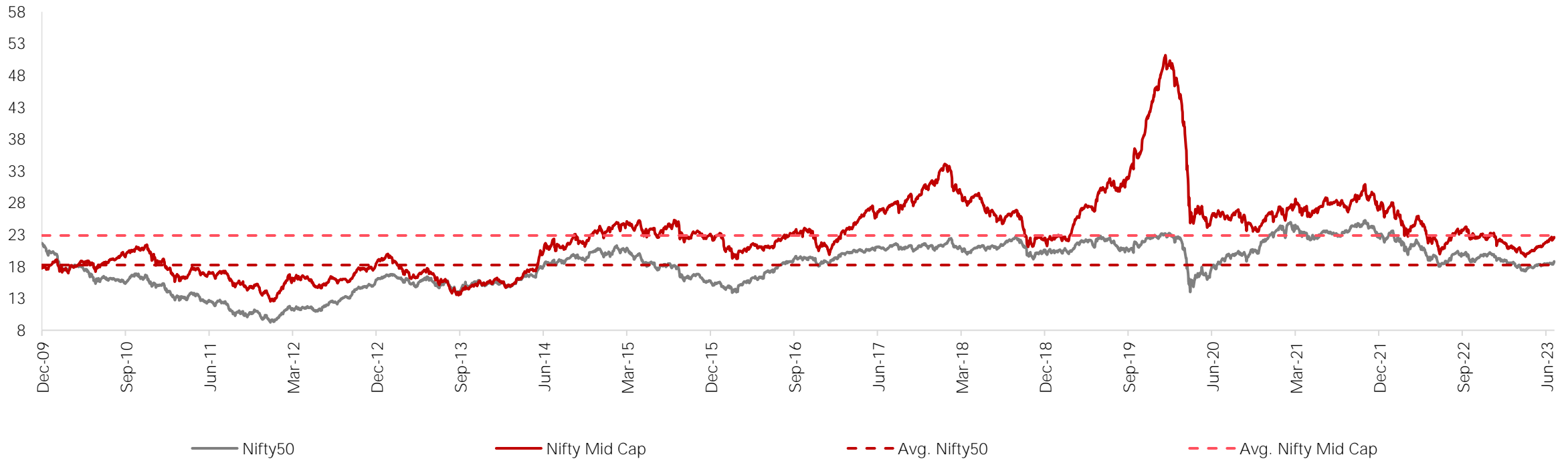
Diversity and alpha

Mid Caps offer more potential of delivering high growth

For illustration purpose only. Source: NSE, CRISIL, Data as at 31 Dec 2022, Return distribution based on a daily rolling returns of various holding periods. Period considered: 1 January 2005 – 31 December 2022. Mid Cap Funds are represented by weighted average index of 28 Mid cap funds representing the Mid Cap category. Returns of Mid cap funds is average of CRISIL ranked schemes. Past performance may or may not be sustained in the future. For illustration purposes only

Valuation trend across market capitalization

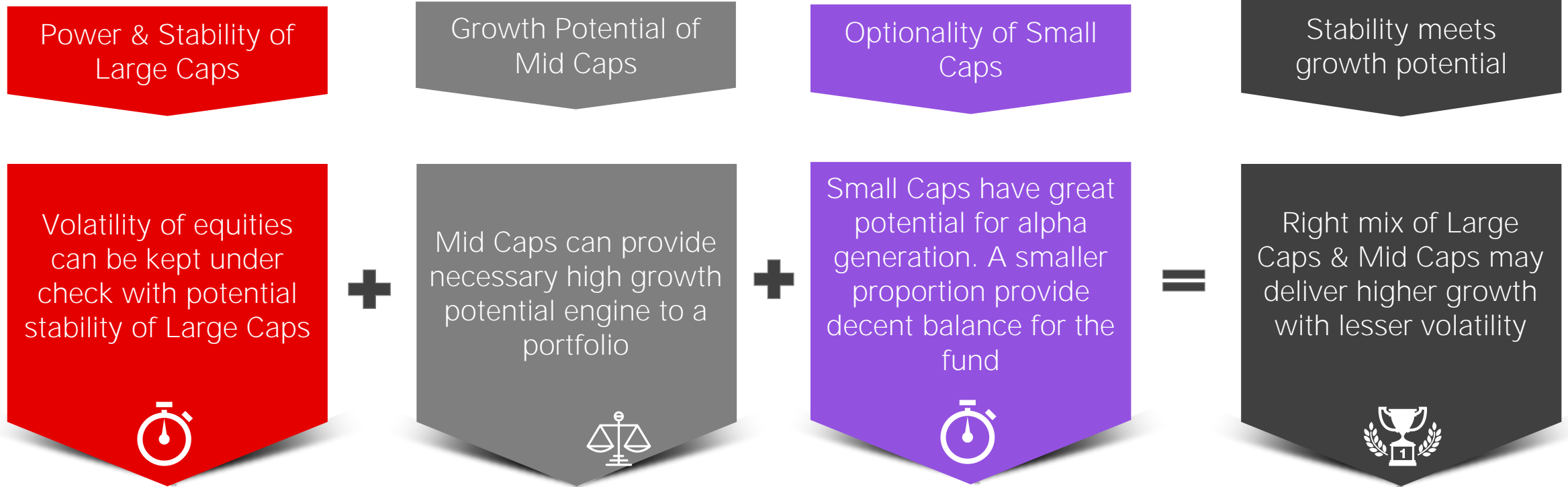
Always keep winners on your side - Valuations have moderated over the last 1 year



- Large Cap (Nifty50) and Mid Cap index are trading in line with their last 5-year average

Source: Bloomberg, Kotak, Data as on 30 June 2023

When power meets great potential



Large Caps complement Mid Caps and provide strength to a growth portfolio with added optionality of Small Caps

What is a Large & Mid Cap Fund?

Large & Mid Cap Fund

Large Cap > 35%

Large Caps are relatively stable with a lower downside risk and equipped to deliver better risk adjusted performance

Mid Cap > 35%

Mid Caps companies have better growth potential at reasonable valuations with potential to generate relatively higher performance

Large or Mid or Small Cap > 30%

Flexibility to pick winners across categories

Large Caps

- Top 100 stocks
- Evolved businesses with track record
- Dominant big players
- Highly liquid in markets

Mid Caps

- 101st to 250th stocks
- Emerging businesses
- Potential Large caps of tomorrow
- High growth potential
- Moderately liquid

Small Caps

- Beyond 250th stocks
- Great growth potential
- High volatility and low liquidity
- Under researched
- Potential multi baggers

Large & Mid schemes invest at least 35% of their assets each in large and mid cap stocks, respectively. The balance 30% can be good mix of stability of large caps, growth potential of midcaps and emerging businesses of small caps

For illustration purpose only. The asset allocation and investment strategy will be as per Scheme Information Document (SID). 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 .

Why invest in HSBC Large & Mid Cap Fund (HLMF)

Power of consistency and stability

- HLMF offers potential of consistency with an exposure to Large Cap stocks which are known to be stable compounders

Potential of high growth

- HLMF's allocation to Mid Cap stocks offers potential of above average growth

Optionality of small caps

- The fund offers power of consistent Large Caps and potential of growing Mid Caps with an optimal allocation

Benefit from discipline

- Minimum 35% allocation in each (Large Cap and Mid Cap) helps in instilling discipline and gain from it

Subject to relatively lower volatility

- Less volatile Large Caps can restrict funds downside and encourage investors to remain invested for longer time frame

Gain from the mix of power of Large Caps and growth potential of Mid Caps with HLMF

Mutual fund investments are subject to market risks, read all scheme-related documents carefully. Past performance may or may not sustain and doesn't guarantee the future performance

Fund Philosophy

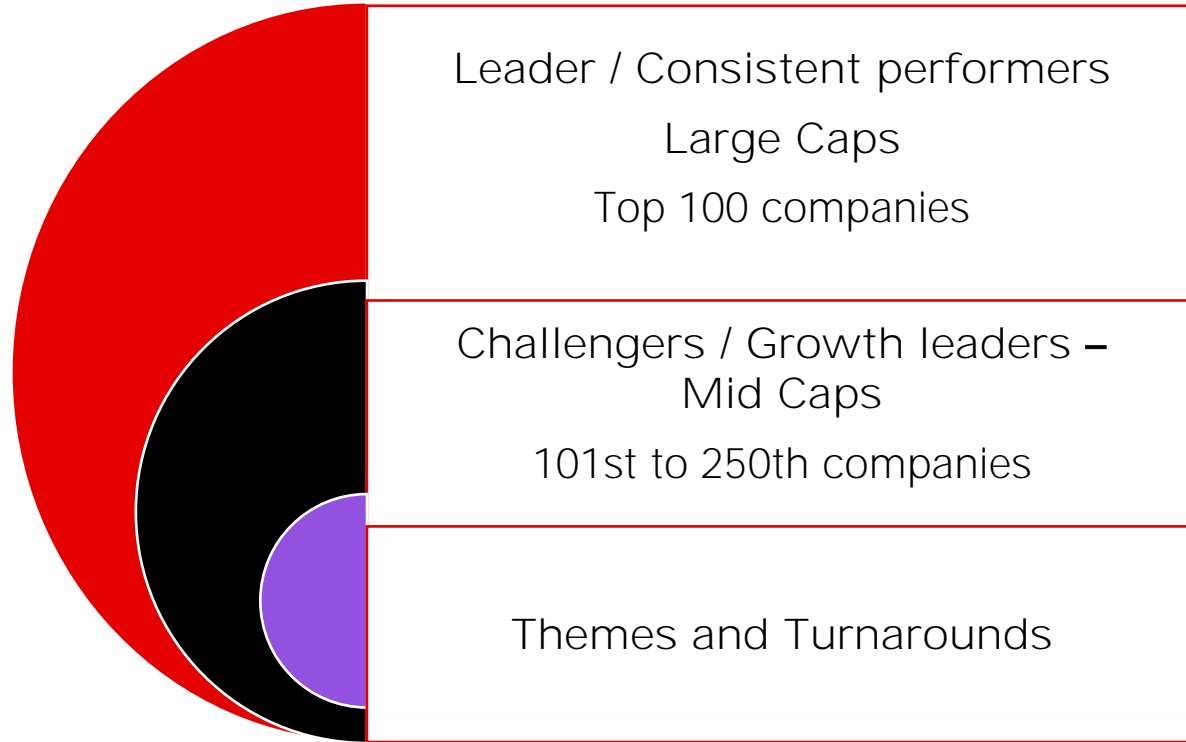
- We believe good corporate governance is extremely essential for a company to sustain and thrive
- Prefer companies with differentiated business models which can act as moats to ensure higher and / or longer growth trajectory. This edge can either be technology, brand power, distribution strength, ESG or others
- Profit pool consolidation with dominant players to continue and disruption to accelerate this shift
- Execution is an underrated skill but is far more important in long term performance of the company. Translation from strategy to results is solely dependent of execution skills of company and management agility
- We look out for businesses or industries which are benefiting from cyclical or regulatory tailwinds
- Good return ratios with healthy balance sheet and working capital are preferred. Cases where return ratios are lower but have a clear path to improvement are also considered

Prefer companies with differentiated business models which can act as moats to ensure higher growth trajectory

Data as on 28 Feb 2023

Past performance may or may not sustain and doesn't guarantee the future performance

Framework for Portfolio Composition



Key Portfolio Themes

- From the medium term perspective, we are positive on the industrial and manufacturing oriented sectors benefiting from government policies and import substitution
- From the long term perspective, we continue to be positive on the consumption theme in India based on demographics and aspiration
- Within consumption, have an interplay between discretionary and staples depending on phases of economy
- We remain focused on the fundamentals of companies and especially the earnings growth trajectory
- Preference for regulated businesses or ones impacted by policy changes is lower
- Sectoral preference is driven by assessment of sectors / segments leading contribution to the market earnings growth over the next 2-3 years

Gain from the mix of power of Large Caps and growth potential of Mid Caps with HLMF

Data as on 28 Feb 2023
Past performance may or may not sustain and doesn't guarantee the future performance

HSBC Large and Mid Cap Equity Fund (HLMF)



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.

Fund Name	HSBC Large and Mid Cap Equity Fund	Type	Large and Mid Cap - An open ended equity scheme investing in both large cap and mid cap stocks
Benchmark	NIFTY LargeMidcap 250 TRI	Plans / Options / Sub options	Regular, Direct plans/ Growth, Income Distribution cum capital withdrawal (IDCW) option (Payout of IDCW & Reinvestment of IDCW)
Minimum Application Amount	Rs 5,000/- per application	Loads (including SIP / STP wherever applicable)	Entry Load* : Nil
Minimum Application Amount (SIP)	Minimum Investment Amount - Rs. 500 (monthly)		Exit Load:- Any redemption / switch-out within 1 year from the date of allotment: 1%
SIP/STP/SWP	Available	Fund Managers	Cheenu Gupta & Neelotpal Sahai
			No Exit Load will be charged, if units are redeemed/switched-out after 1 year from the date of allotment. ^

Asset Allocation of the scheme

Under normal circumstances, it is anticipated that the asset allocation of the Scheme will be as follows:

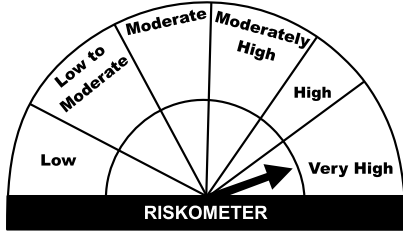
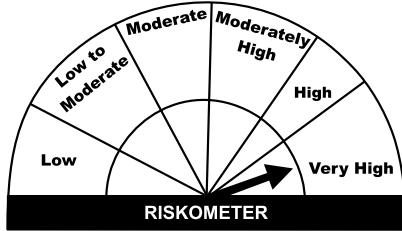
Instruments	Indicative Allocation (% of net assets)		Risk Profile
	Minimum	Maximum	
Equity and Equity related	80%	100%	Medium to high
Securities out of which:			
a) Large cap Companies	35%	65%	
b) Mid Cap Companies	35%	65%	
c) Other than Large Cap and Mid Cap Companies	0%	30%	
Debt instruments & Money Market Instruments (including cash & cash equivalents)	0%	20%	Low to medium
Units issued by REITs and InvITs	0%	10%	Medium to High

Note - Sonal Gupta shall be dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

^The exit loads set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively. *In terms of SEBI circular no. SEBI/IMD/CIR No.4/ 168230/09 dated June 30, 2009, no entry load will be charged by the Scheme to the investor effective August 1, 2009. No exit load (if any) will be charged for units allotted under bonus / dividend reinvestment option.

Refer to SID of the scheme for asset allocation and more details .

Product Label

Scheme name and Type of scheme	*Riskometer of the Scheme	Riskometer of the benchmark
<p>This product is suitable for investors who are seeking*:</p> <p>HSBC Large and Mid Cap Fund (Erstwhile HSBC Large & Mid Cap Equity Fund) - Large and Mid Cap Fund – An open ended equity scheme investing in both large cap and mid cap stocks.</p> <ul style="list-style-type: none"> • Long term wealth creation and income • Investment predominantly in equity and equity related securities of Large and Mid cap companies <p>(Benchmark : NIFTY Large Midcap 250 TRI)</p>	 <p>Investors understand that their principal will be at Very High risk</p>	

Riskometer as of 30 June 2023

Equity - Investment Philosophy

Guiding principles that drive investment philosophy and approach

Investment mandate

- Ensures that the fund manager adheres to the investment style stated in the prospectus or offer documents

Active fund management

- Focus and conviction on long-term business fundamentals
- Disciplined yet active fund management can generate superior long-term performance

Research based stock selection

- Focus is on identifying stocks with
 - Strong business fundamentals
 - Better growth prospects and
 - Undervalued relative to their intrinsic worth

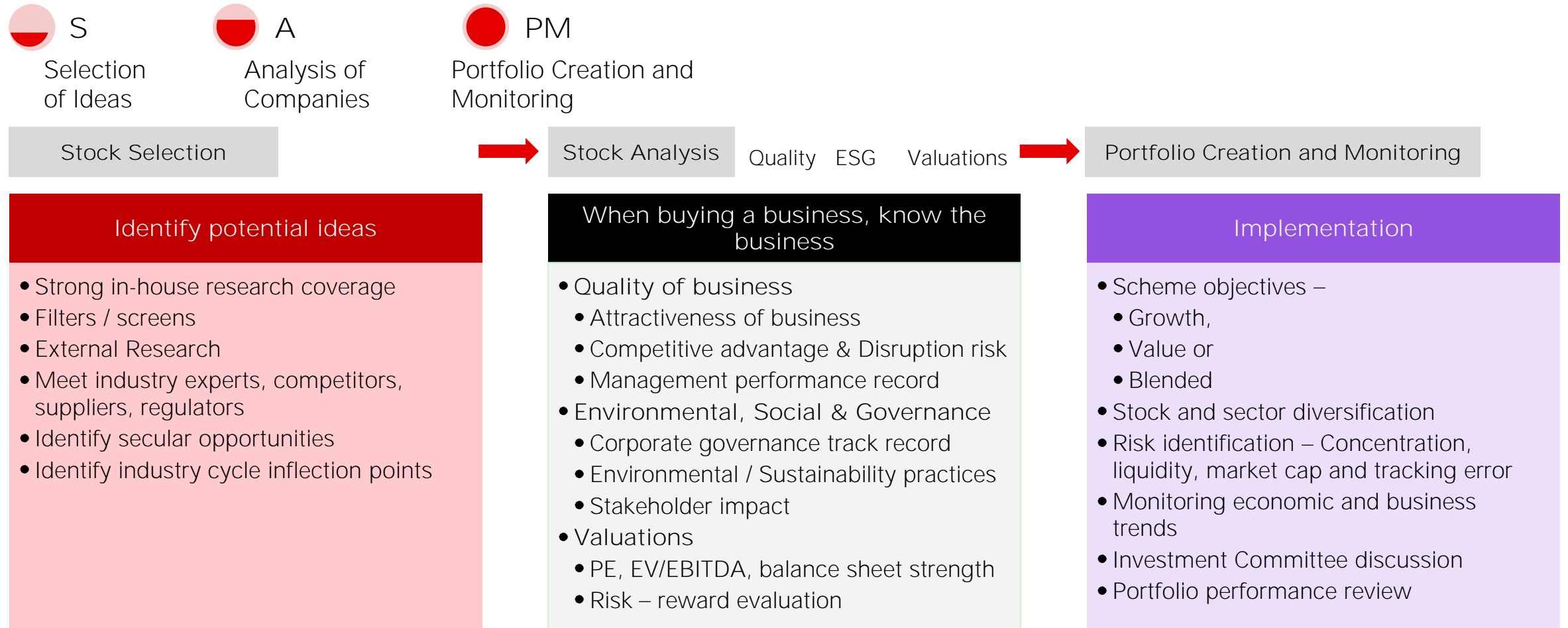
Robust risk management

- A robust framework for evaluating, monitoring and managing various risks are an integral part of the investment process

Source: HSBC Mutual Fund

Equity - Investment Process

Power of SAPM - Equity investment process comprises three stages



Source: HSBC Mutual Fund

Disclaimer

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