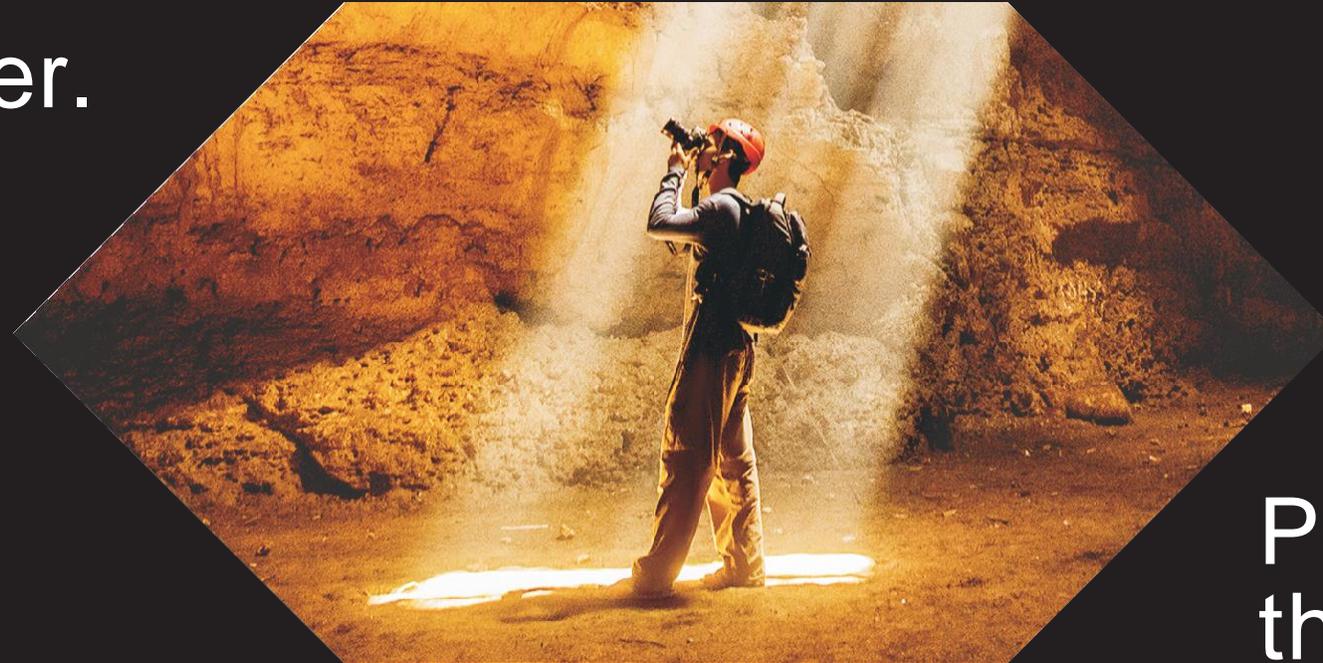


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Potential  
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## **HSBC Value Fund**

An open ended equity scheme following a value investment strategy

Product Deck  
February 2024

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Understanding Value Investing

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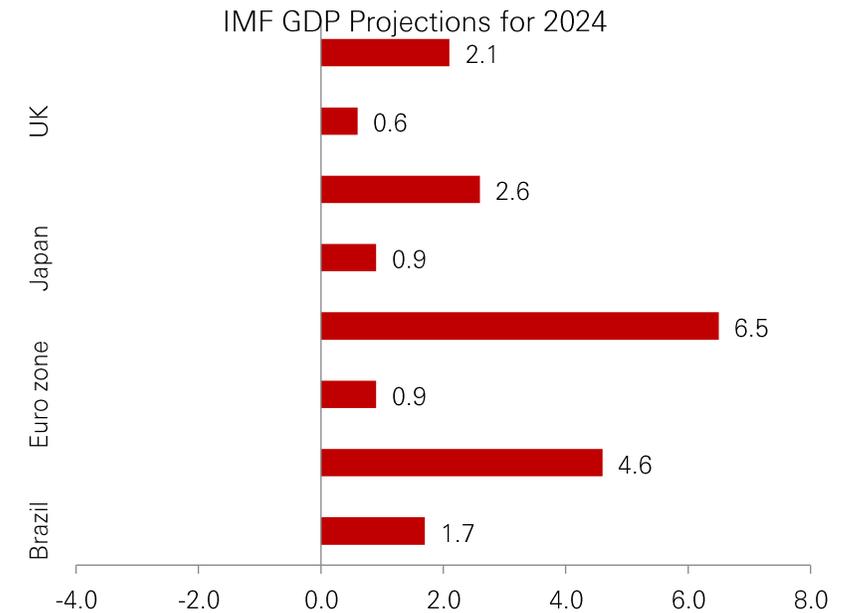
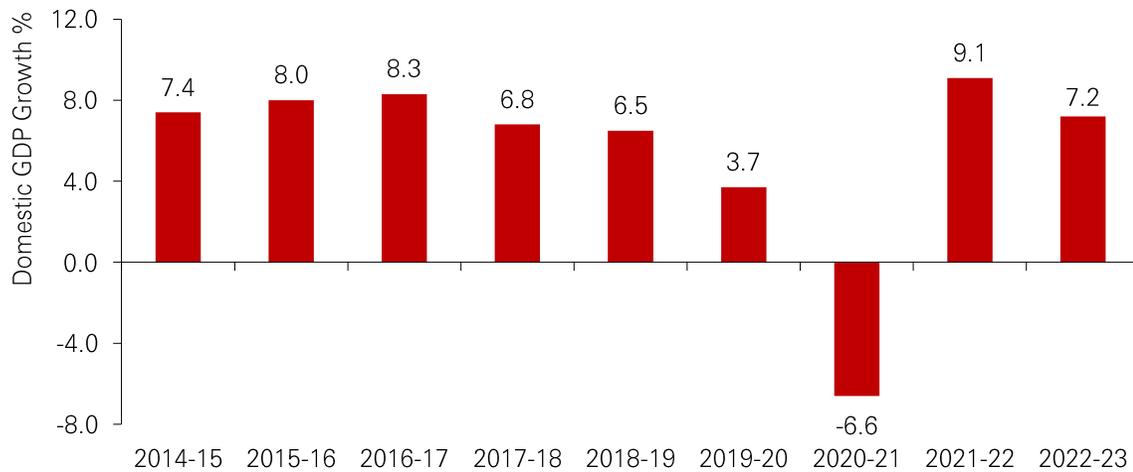
Investment approach of the fund

Current Portfolio Strategy

Annexures

# India economic outlook remains largely positive

- A global landscape characterised by looming supply chain disruptions caused by geopolitical risks and rising inflation can do little to weaken the growing confidence in India's economic growth story.
- As was widely expected after the Reserve Bank of India (RBI) revised upward its gross domestic product (GDP) growth forecast in December, the initial advance estimate report released by the National Statistical Office (NSO) pegged India's real GDP growth for at 7.3% for this fiscal compared with 7.2% in the last
- The International Monetary Fund (IMF) raised its projections for India's GDP growth for fiscals 2024 and 2025.

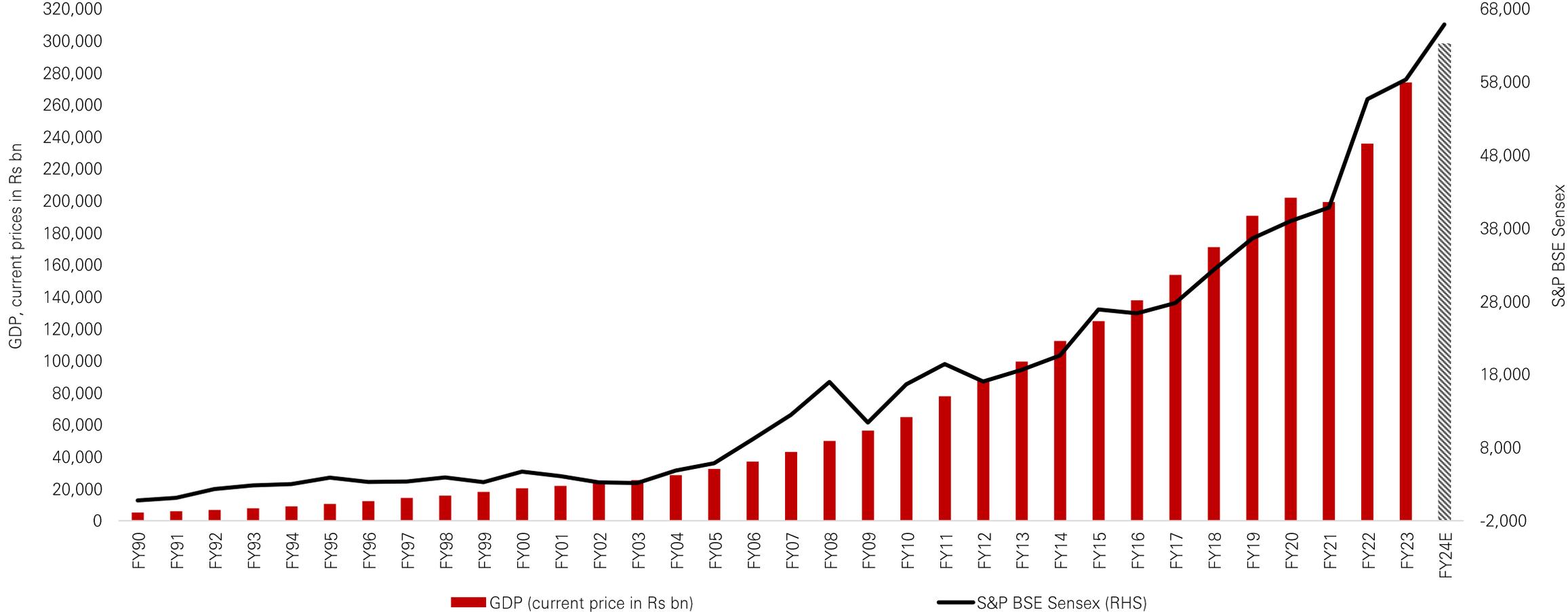


Source – Mospi, CRISIL Data as on 31 January 2024 except otherwise mentioned.

**Past performance may or may not be sustained in the future and is not indicative of future results**

# Equity mirrors economic growth in the long term

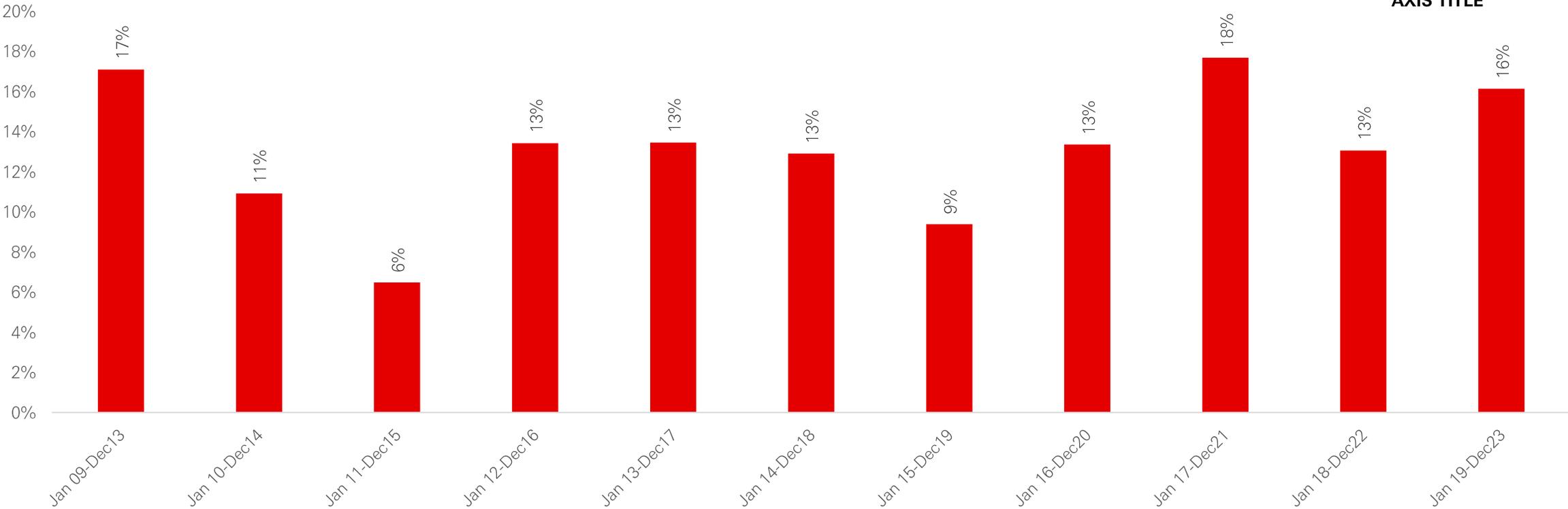
GDP - The Indian economy is expected to carry the momentum of last year's GDP growth into the current fiscal year as well



Source: CRISIL, Bloomberg, IMF - The GDP projection for fiscal year 2024 is shown shaded in this graph is for illustration purposes only and is not guaranteed, Data as on 31 January 2024 except otherwise mentioned. **Past performance may or may not be sustained in the future and is not indicative of future results**

# Equities remain one of the best asset classes in past few years

Equity oriented funds posted strong performance in the long term



AXIS TITLE

Source: MFI Explorer, Equity represented by NIFTY 50 TRI, Past performance may or may not be sustained in the future and is not indicative of future results

Different equity mutual fund schemes follow different investment styles

## Growth Investing

Funds which are based on the **growth investing** style try to identify stocks which have the potential to deliver high **earnings per share (EPS)** growth over the next few quarters. Capital appreciation in equities is directly related to EPS growth. Share prices usually go up when EPS increases and hence growth stocks exhibit faster growth in share prices. In a market like India, growth investing style is very popular.

## Value Investing

Fund managers who follow the value style try to identify stocks which are **trading at significant discounts to their intrinsic value**. The market may over-estimate or under-estimate the intrinsic value of a stock. If the market is under-estimating the intrinsic value of a stock, then the current market price (share price) of the stock will be lower than the intrinsic value. Value fund managers will invest in stocks, where the market price is significantly lower than the intrinsic value as determined by the fund manager.

## Growth at a Reasonable Price (GARP)

This investing style was popularized by legendary fund manager. This investing style **blends growth and value investing**. While the focus of GARP is on growth stocks (stocks with high EPS growth expectations), the fund manager also looks at price relative to EPS growth. In the GARP investing style, the fund managers would avoid stocks whose price (valuations) have run ahead of EPS growth.

A strategy of investing in stocks that trade at less than their intrinsic value

## What is intrinsic value in value investing?

Value of a stock is the present value of future free cash-flows of the company. Fund managers estimate intrinsic value of a stock based through fundamental analysis i.e. analysis of the industry growth potential, the company's competitive strengths, market share growth, operating margins, working capital and capex growth, financial projections including earnings per share (EPS) growth etc.

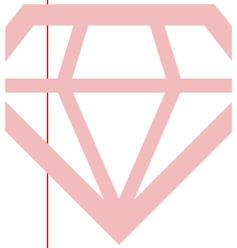
## Margin of safety in value stocks

If you buy stocks which are trading at significant discount to its intrinsic value, you get a margin of safety. Margin of safety limits downside risk in deep market corrections since the prices are relatively low. Value fund managers aim to pick stocks which give them high margin of safety. Value funds may be more suitable to investors who do not have very high risk appetites. In volatile markets, value stocks can be attractive for investors looking for capital appreciation over long investment horizons.

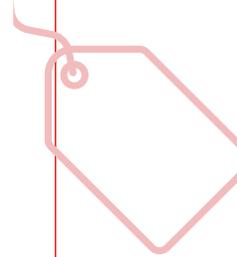
Source: Bloomberg, MSCI, Financial Express

# Characteristics of Value Stocks

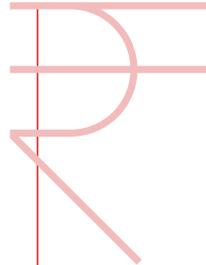
Value fund managers look at metrics like Price to Earnings ratio (PE), Price to Book ratio (PB) and Dividend Yield



**PE Ratio:** PE ratio is the current market price (share price) of a stock divided by its 12-month EPS. The 12-month EPS can either be the last 12 months (TTM PE) or estimated EPS over the next 12 months (Forward PE).



**PB Ratio:** PB ratio is the current market price (share price) of a stock divided by its book value per share. Book value of a share is total assets minus total liabilities (excluding shareholder's equity)



**Dividend Yield:** Dividend yield is the annual dividend paid by the stock divided by the share price. e.g. the share price of a company is Rs.100. The company declares a dividend of Rs 10. The dividend yield will be  $\text{Rs } 10 \div 100 = 10\%$ .

**Value fund managers will typically invest in stocks, which have low PE, PB and high dividend yield.**

Source: Bloomberg, MSCI, Financial Express

# Why invest in value theme now?

## Equity, Inflation and rate outlook

- Inflation remains at comfortable levels in India. The scenario is favourable for Debt cycle with the peaking of interest rates. Inclusion of India Government Bonds in global indices may result in considerable USD inflows. Positive bias for equities due to strong earnings growth expectations. Positive outlook for sectors / themes such as Manufacturing, Infrastructure, Power and Financials, Make in India, Discretionary consumption, etc.

## Lowering risk

- As market valuations are close to long term averages investors need to focus on value theme

## Twin benefits

- Value stocks outperform in early stages of economic recovery, which is when valuation rerating takes place. EPS also picks up at this stage and value funds get twin benefits of valuation rerating and EPS growth.

## Diversification

- Value funds provide diversification to your investment portfolio. The MSCI India Value Index outperformed the MSCI India Index (comprising of both growth and value stocks) for around 50% of the times in the last 15 years.

## Bottom up

- Value investing requires considerable bottom-up stock picking expertise backed by strong research capabilities. You should invest in funds with strong long term performance track record.

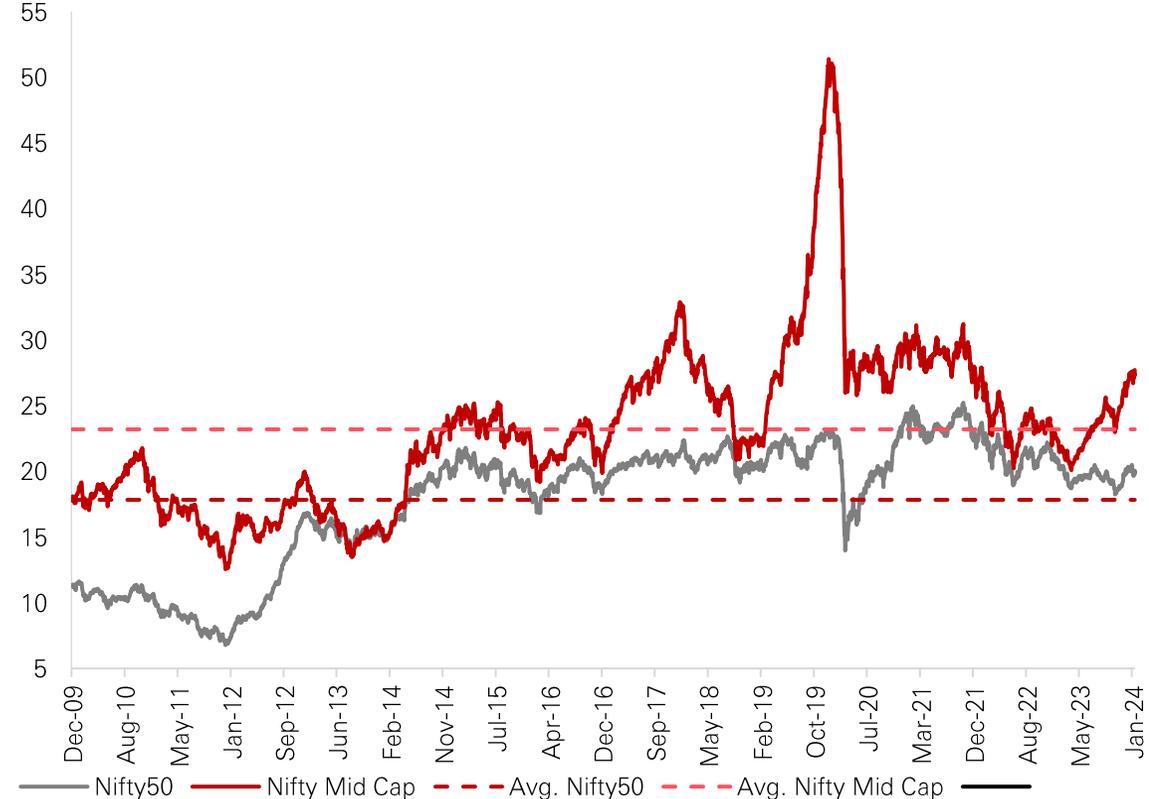
## True value

- Investors should have very long investment horizons for value funds, since the prices of value stocks may take relatively longer time till the market discovers their true value.

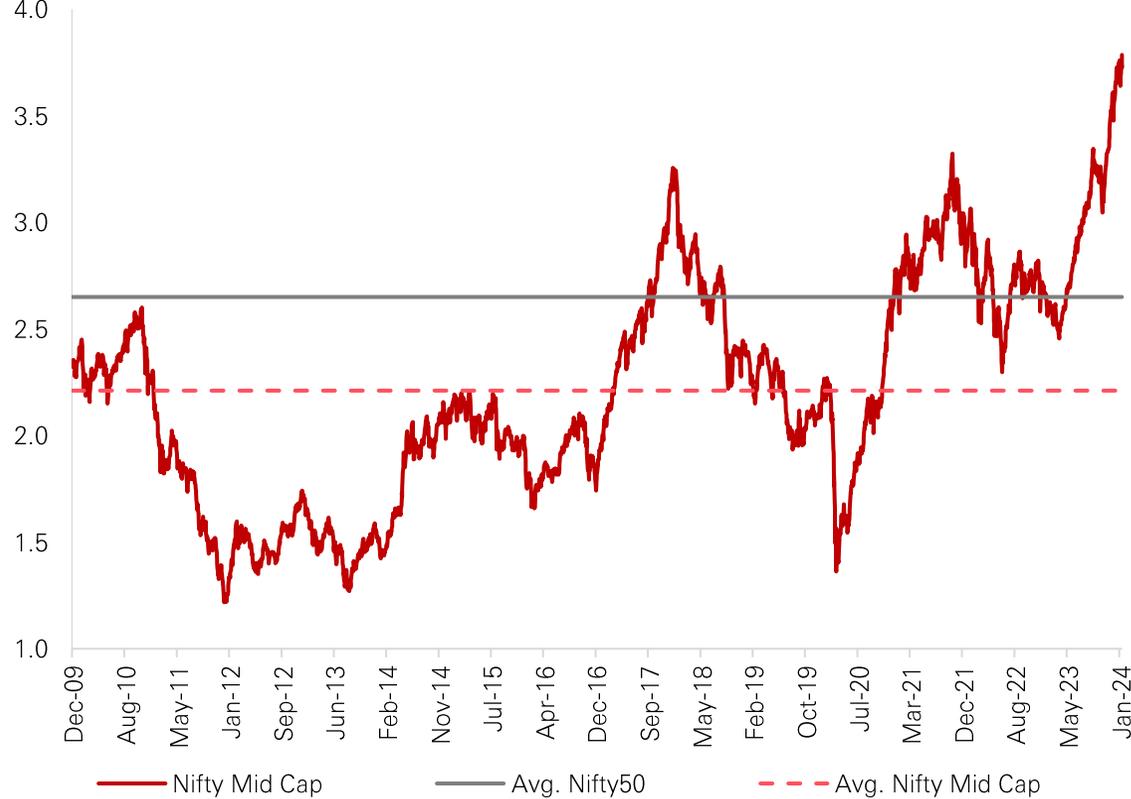
Source: Bloomberg, MSCI, Financial Express. Data as on 31 Jan 2024

# Market Valuations – Nifty 50 and Nifty Midcap 100

Large and Mid Cap - Price to Earnings (PE)



Large and Mid Cap - Price to Book (PB)

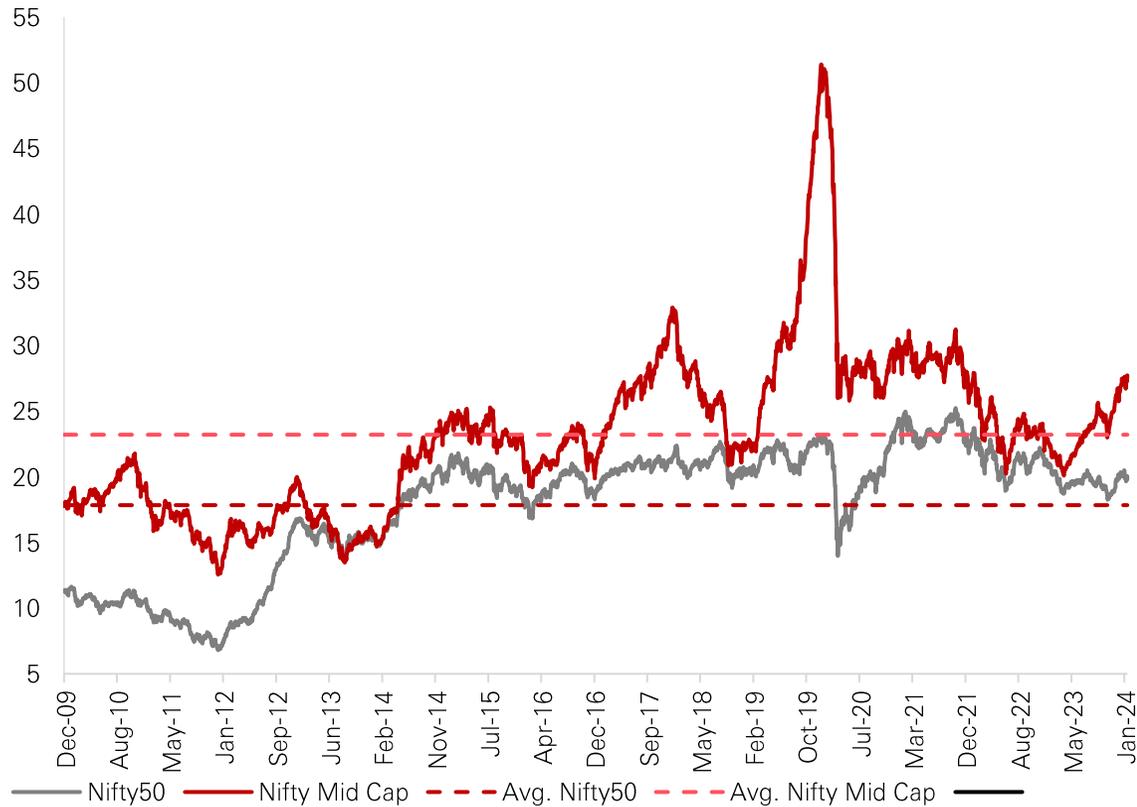


Source: Bloomberg, data as on 31 January 2024

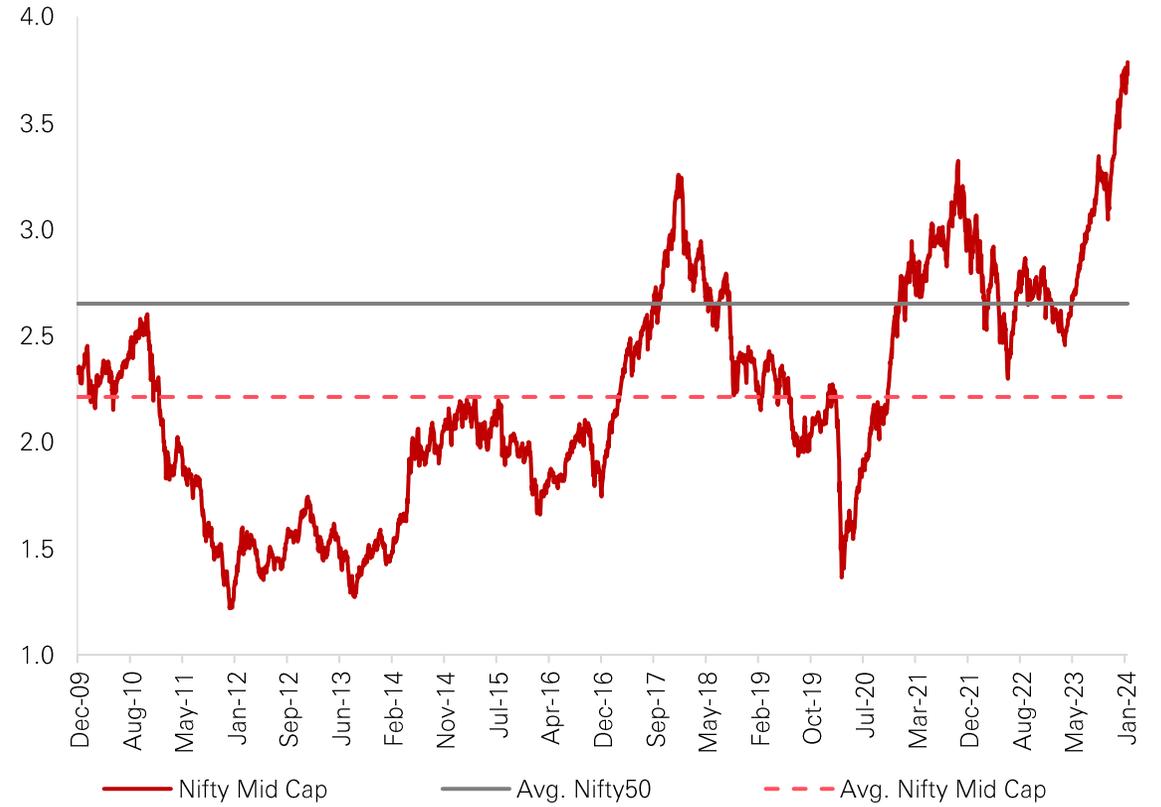
Past performance may or may not be sustained in the future and is not indicative of future results

# Market Valuations – Nifty 50 and S&P BSE 200

## Large and S&P BSE 200 - Price to Earnings (PE)

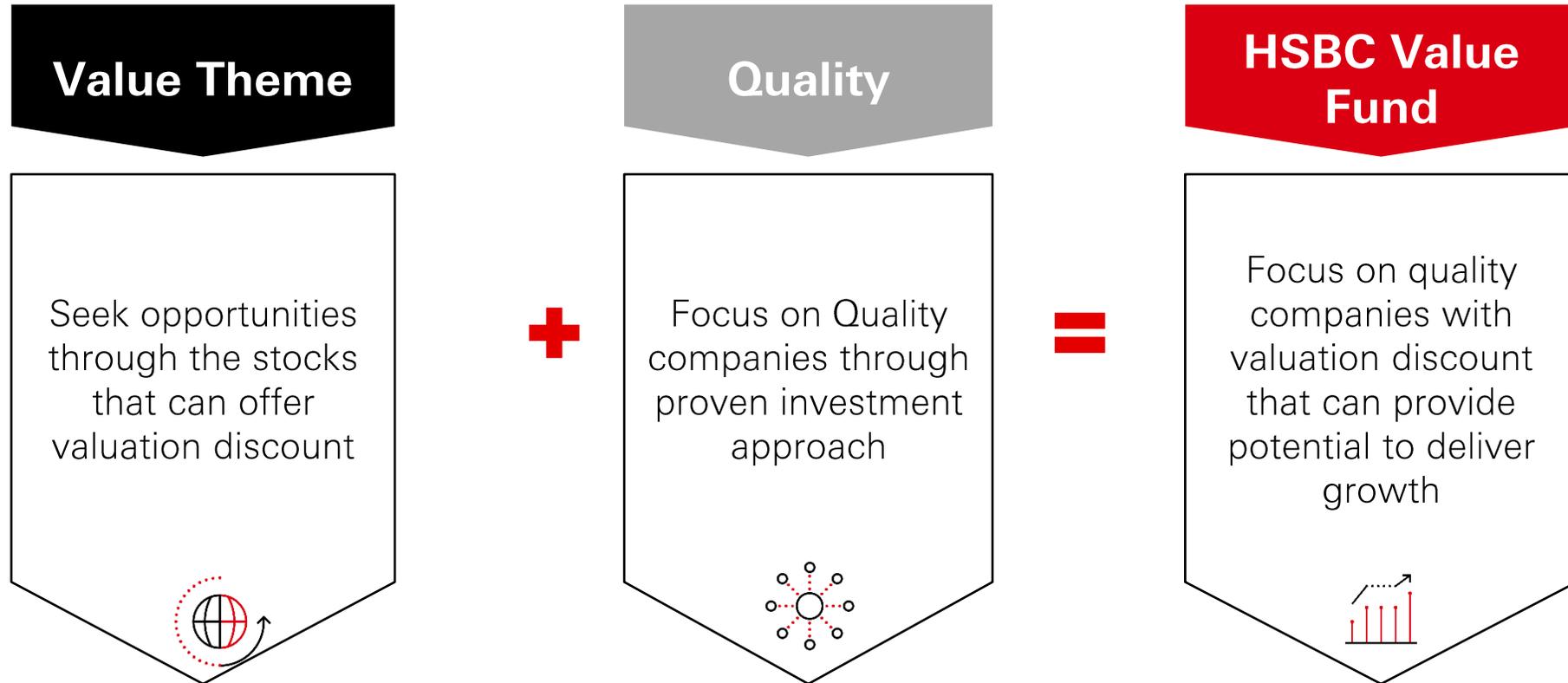


## Large and S&P BSE 200 - Price to Book (PB)



Source: Bloomberg, Data as on 31 January 2024

Past performance may or may not be sustained in the future and is not indicative of future results



HSBC Value Fund aims to offer alpha generation in the long run

## Bottom-up

Adopts a bottom-up stock selection approach with focus on valuations to spot businesses whose stocks have a potential to deliver performance over medium to long term

## Reduce risk

Aims to invest in stocks with adequate margin of safety to reduce risk in a volatile market environment

## Investments across market spectrum

Complete flexibility to invest across market cap segments and sectors, thus allowing it to capitalise on investment opportunities across market spectrum without any restrictions

## Investing factors

For assessing the value of a stock, the Fund Manager typically assesses various parameters such as growth potential, cash flows, dividend payouts, subsidiary valuations, sum of the parts, etc

## Valuations

The Fund Managers looks at valuation of a stock vis-à-vis its (a) earning growth prospects, (b) historical long period valuation, and (c) relative valuation compared to peers

## Risk management

Robust risk management framework - a well diversified portfolio with focus on managing liquidity and other portfolio risks

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

HSBC Value Fund - An open ended equity scheme following a value investment strategy

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM <sup>&amp;</sup>
Value	Venugopal Manghat, Gautam Bhupal <sup>@</sup> and Sonal Gupta <sup>#</sup>	Nifty 500 TRI	8 Jan 2010	Rs. 11238.98 Cr

- The Fund has a performance track record, and its active investment style aims to offer long term appreciation.
- The Fund’s emphasis on owning stocks with adequate margin of safety and identifying valuation anomalies versus the economic potential of the business over the medium term
- Aims to minimize portfolio risk by investing in quality companies, monitoring corporate fundamentals closely
- As earnings growth recover, value focused strategy could not only benefit from higher earnings growth but also on account of re-rating of stocks

Portfolio	% to net assets
NTPC Limited	4.75%
ICICI Bank Limited	4.01%
Jindal Stainless Limited	3.79%
State Bank of India	3.29%
Indian Bank	2.73%
Reliance Industries Limited	2.53%
Canara Bank	2.48%
Sun Pharmaceutical Industries Limited	2.48%
Multi Commodity Exchange of India Limited	2.43%
Karur Vysya Bank Limited	2.32%

<sup>1</sup> As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, 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. <sup>#</sup> Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

<sup>@</sup> Managing since October 01, 2023.

<sup>&</sup>For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website: <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-library#&accordion1446811090=4>

**Note:** 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).

Source – HSBC Mutual Fund, Data as of 31 Jan 2024. **Past performance may or may not be sustained in the future and is not indicative of future results.**

An open ended equity scheme following a value investment strategy

## Why HSBC Value Fund?

- To seek an exposure to value style companies
- Aim to identify undervalued stocks having a potential to deliver long term risk-adjusted returns
- Aim for long term capital appreciation
- To create a corpus by generating inflation-adjusted returns to cater to long-term goals

Sector - Allocation	% to net assets
Banks	20.06%
IT - Software	10.50%
Construction	6.66%
Industrial Products	5.83%
Realty	4.96%
Power	4.75%
Ferrous Metals	4.65%
Cement & Cement Products	4.12%
Automobiles	3.86%
Finance	3.76%

## Fund Philosophy

- Diversified equity fund with value bias that aims to deliver long term risk adjusted returns
- Focus on identifying valuation anomalies versus the economic potential of the business over the medium term
- Aims to minimize portfolio risk by investing in quality companies, monitoring corporate fundamentals closely
- The fund aims to invest in fundamentally robust companies that the fund manager believes are trading at less than their assessed values thus endeavoring to capture their higher upside potential
- This approach not only helps in identifying undervalued stocks but also factor-in the risk elements while picking stocks

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**Source** – HSBC Mutual Fund, Data as of 31 Jan 2024

## HSBC Value Fund performance track record across market cycles

Calendar Year	HSBC Value Fund - Reg – Growth (%)	*Nifty 500 TRI (%)	*Nifty 50 TRI (%)
2013	6.6	3.9	7.2
2014	74.1	39.1	32.9
2015	12.9	0.0	-3
2016	8.1	4.7	4.2
2017	40.3	37.7	30.3
2018	-11	-1.6	5.6
2019	4.6	8.6	13
2020	14.6	17.7	16
2021	40.3	31	25.3
2022	5.3	4.2	5.7
2023	38.7	26.5	20.8

- The table shows calendar year wise performance of the Fund vis-à-vis its benchmark Nifty 500 TRI Index and additional benchmark Nifty 50 TRI

Source: MFI Explorer. \*Benchmark: S&P Nifty 500 TRI \*\*Additional Benchmark - Nifty 50 TRI  
 Past performance may or may not sustain and doesn't guarantee the future performance. Note: Calendar year is Jan 1 to 31 Dec for each year.

# Performance as per SEBI format

Fund Manager - Venugopal Manghat Effective 24 Nov 2012. Total Schemes Managed - 7  
 Fund Manager - Gautam Bhupal Effective 01 Oct 2023. Total Schemes Managed - 12  
 Fund Manager - Sonal Gupta Effective 05 Jul 2021. Total Schemes Managed - 15

Lump Sum Investment Performance									Inception Date
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		
	Amount in ₹	Returns %	Amount in ₹	Returns %	Amount in ₹	Returns %	Amount in ₹	Returns %	
HSBC Value Fund-Regular	14751	47.51	21766	29.53	26575	21.58	89424	16.85	08-Jan-10
Scheme Benchmark (Nifty 500 TRI)	13381	33.81	18085	21.79	23216	18.34	52592	12.52	
Additional Benchmark (Nifty 50 TRI)	12435	24.35	16510	18.15	21276	16.29	49054	11.97	

**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 January 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 May 19, 2023, 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 May 19, 2023, 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.

SIP Performance HSBC Value Fund – Reg					Inception Date: 08-Jan-10
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1680000	
Market Value as on January 31, 2024 (₹)	1,56,115	5,53,302	11,88,602	71,80,623	
Scheme Returns (%)	59.90	29.98	27.72	18.89	
Nifty 500 TRI - Scheme Benchmark (₹)	1,46,215	4,88,320	10,27,778	52,78,374	
Nifty 500 TRI - Scheme Benchmark Returns (%)	42.69	20.82	21.66	15.07	
Nifty 50 TRI - Additional Benchmark (₹)	1,38,471	4,59,553	9,47,510	47,86,416	
Nifty 50 TRI - Additional Benchmark Returns (%)	29.62	16.50	18.32	13.84	

**Past performance may or may not be sustained in the future and is not indicative of future results.** For SIP returns, monthly investment of Rs. 10,000/- invested on the 1st day of every month has been considered. SIP Return are calculated on XIRR basis. IDCW are assumed to be reinvested and bonus is adjusted. Load is not taken into consideration.

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

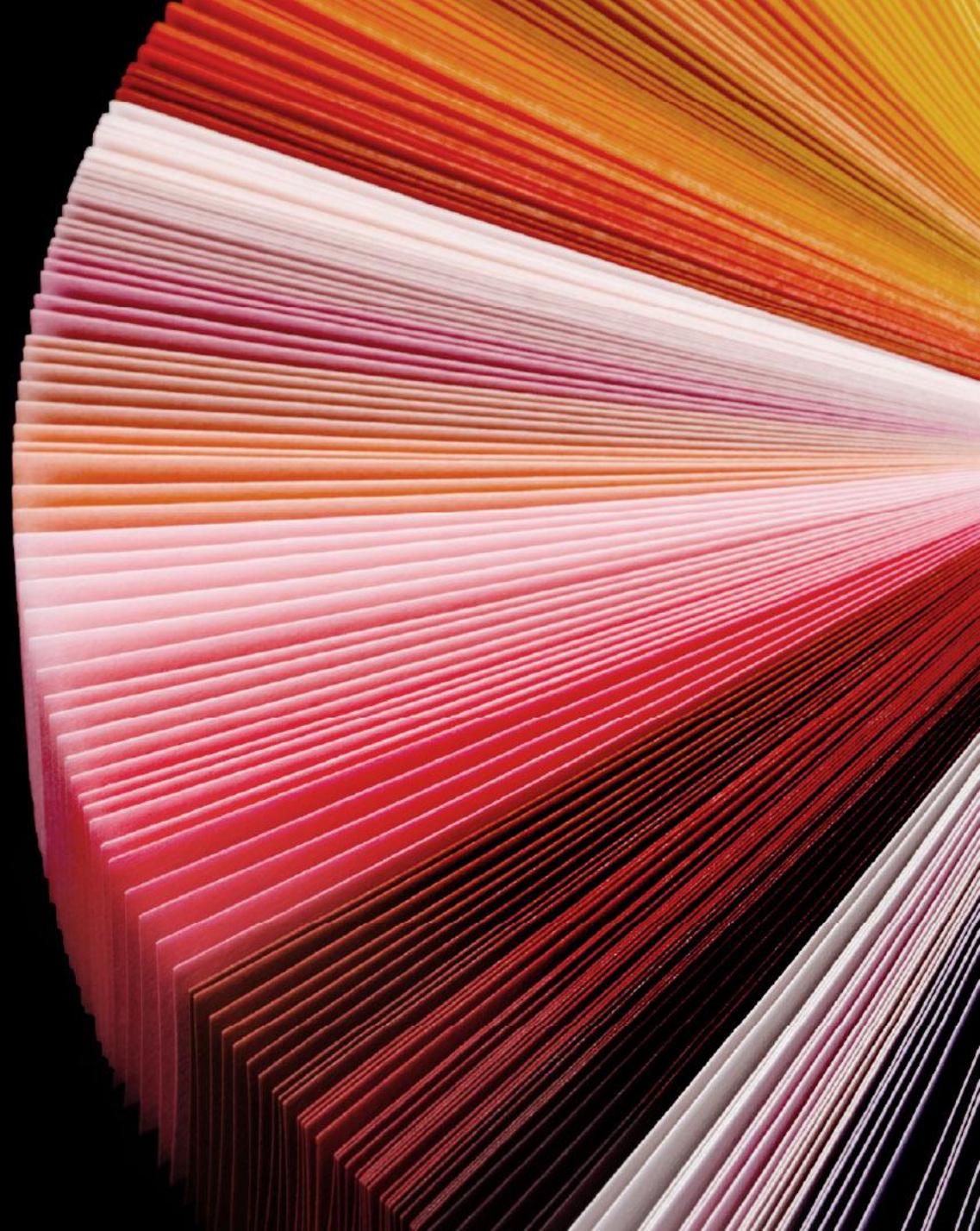
Source: HSBC Mutual Fund, data as on 31 January 2024

[Click here](#) to check other funds performance managed by the Fund Manager

# HSBC Mutual Fund

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## Equity Investment Process



# Stocks Coverage

**450+ companies\* covered across sectors & market caps**

Large Cap  
Stocks  
coverage -  
95%\*

Mid Cap  
Stocks  
coverage -  
95%\*

Small Cap  
Stocks  
coverage –  
75%\*

Sectors - Auto & Auto comps, Pharma & Healthcare, Paints, Media, Textiles, Consumer Staples, Consumer Discretionary, Durables and bldg materials, Real Estate, O&G Sugar Telecom, Capital Goods, Power & infra, Logistics, Tech Services, Metals, Cement, Banks and lenders, Financial services, Chemical and Paper

\*Large Cap: top 100 stocks on full market capitalisation basis; Mid caps - next 150 stocks based on full market capitalization; Small Cap: Stocks in 251st onwards based on market capitalization.

Source: HSBC Mutual Fund. Data as on 31 December 2023

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# Stocks Coverage

**450+ companies\* covered across sectors & market caps**

GICS classification - Sectors	Stocks in Coverage	Stocks in NIFTY 500 Index	% of Coverage
Financials	70	84	83%
Information Technology	28	34	82%
Materials	73	87	84%
Consumer Discretionary	72	79	91%
Energy	11	11	100%
Consumer Staples	26	33	79%
Industrials	71	79	90%
Health Care	48	49	98%
Utilities	14	17	82%
Communication Services	13	17	76%
Real Estate	11	11	100%
Total	437*	501	87%

Source: HSBC Mutual Fund; \*437 companies from NIFTY 500 Index, remaining outside NIFTY 500 Index, Data as on 31 December 2023  
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# Equity - Investment Approach

Guiding principles that drive Investment philosophy and approach

## Investment mandate

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

## Active fund management

- Focus and conviction on long-term business fundamentals
- Coupled with disciplined yet active fund management generate 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

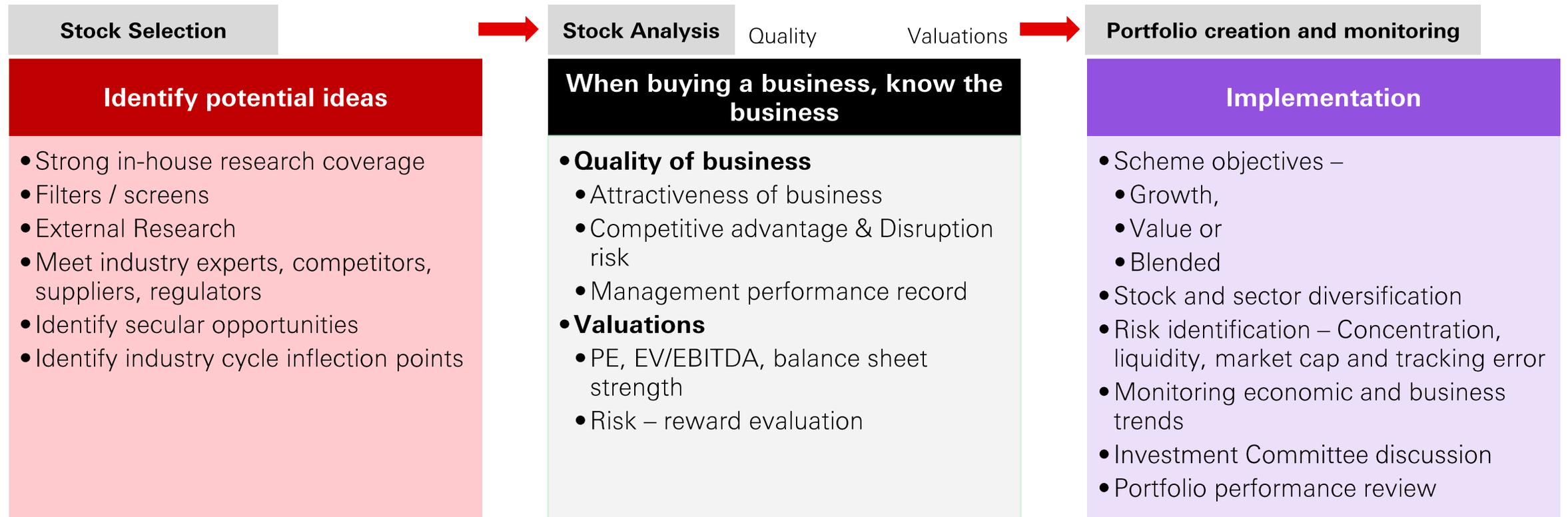
## Robust risk management

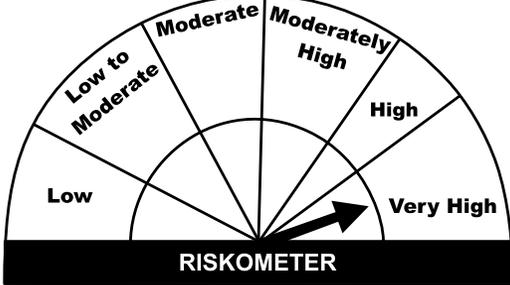
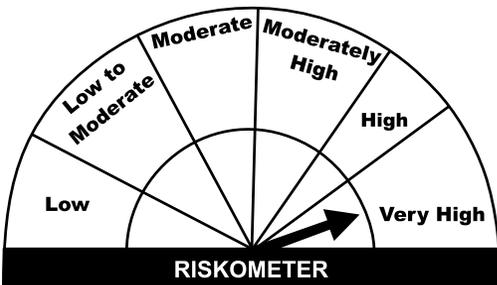
- A robust framework for evaluating, monitoring and managing various risks are an integral part of the investment process

Source: HSBC Mutual Fund

# Equity - Investment Process

Power of SAPM - Equity investment process comprises three stages



Scheme name and Type of scheme	*Riskometer of the Scheme	Riskometer of the benchmark
<p><b>HSBC Value Fund</b> An open ended equity scheme following a value investment strategy.</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>• Long term capital appreciation</li> <li>• Investment predominantly in equity and equity-related securities in Indian markets and foreign securities with higher focus on undervalued securities.</li> </ul> <p>(Benchmark : NIFTY 500 TRI Index)</p>	 <p>Investors understand that their principal will be at Very High risk</p>	

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

Note: Riskometer is as on 31 January 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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