

See  
opportunity



where  
others don't.



**HSBC Small Cap Fund (HSCF)**

Product Deck - April 2024

# What are Small Cap stocks?

## Small Cap Pearls

Emerging businesses with an opportunity to generate higher Alpha

### Small Cap Companies

251<sup>st</sup> company and beyond

Niche and emerging businesses

High growth potential

Relatively volatile and less liquid

Higher research arbitrage

Potential multi baggers

### Mid Cap Companies

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

### Large Cap Companies

- 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 250<sup>th</sup> stock based on full market capitalisation basis as per AMFI list.

# How we define 'Emerging Businesses'?

Emerging businesses are typically smaller size businesses which are in their early stage of development

These businesses have potential to grow their revenues and profits at a higher rate as compared to broader market

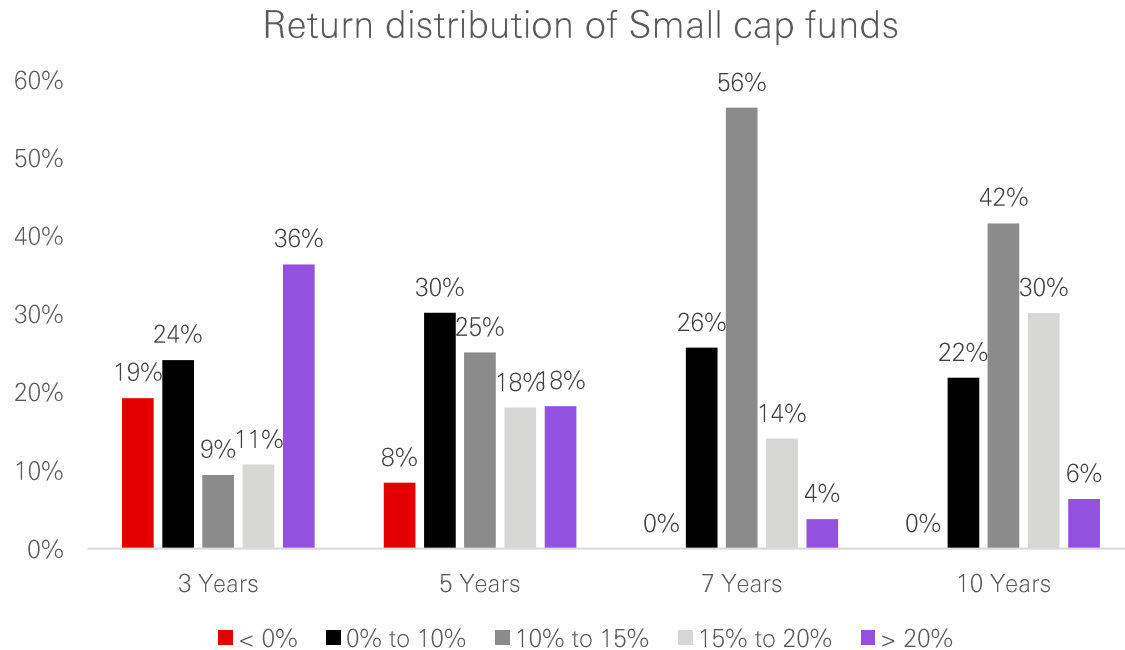
Management team of such companies are generally more hands-on and are key contributors to the prospects of the company

They typically fall into one of the following categories

- Companies in evolving industries
- Smaller players in a large industry catering to niche segments
- Smaller players looking to acquire share of the unorganized players in a large industry

# Why Small Cap stocks?

Potential alpha generators



Large under owned universe of small cap stocks

## Small Cap stock features



Multi-baggers of tomorrow



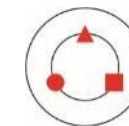
Potential access to growth opportunity



Under-researched and under-owned



Opportunities to spot pricing anomalies



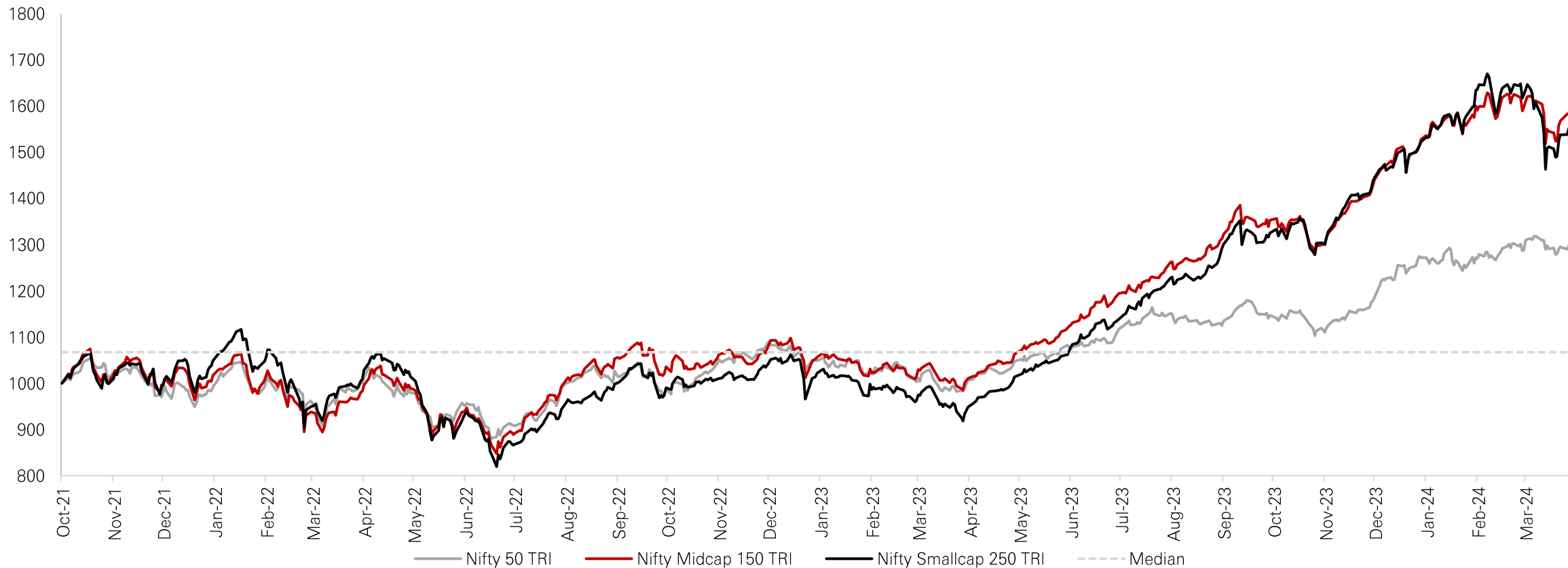
Diversity and alpha potential

**Small Cap stocks may offer more probability of delivering high alpha**

For illustration purpose only. Source: NSE, CRISIL, Data as on 31 March 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 March 2024, **Past performance may or may not be sustained in the future and is not indicative of future results.**

# Trending: rise in small and mid caps

Small-Mid-Large Caps performance (since Oct 2021 peak)



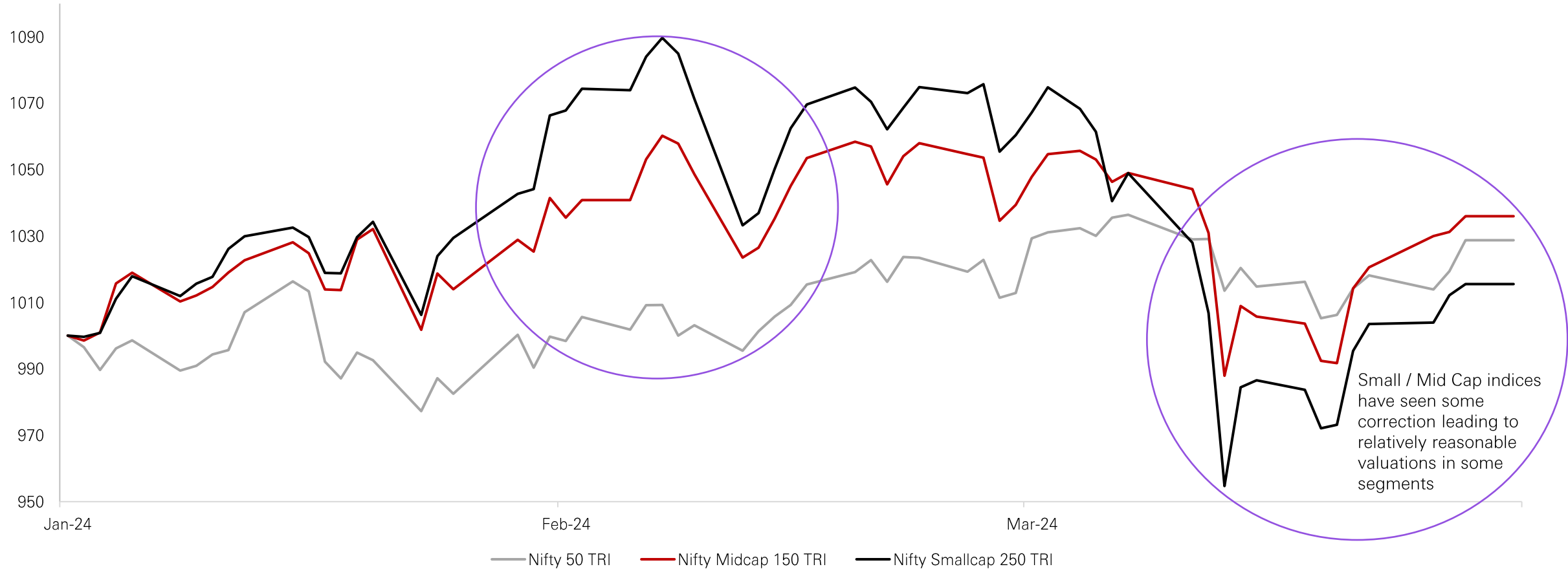
**Small and Mid caps have potential to outperform in economic recovery phase**

Source: ICRA MFI, Data as on 31 March 2024

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

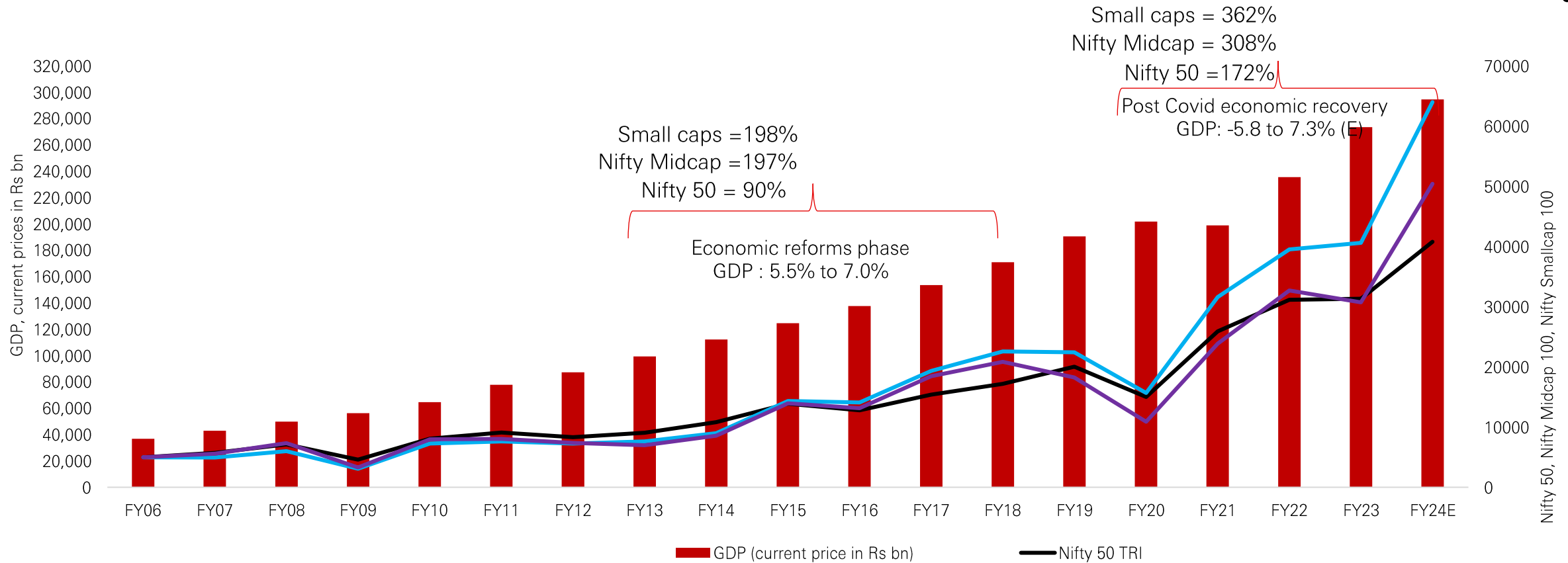
# YTD, small caps seen some correction leading to reasonable valuations in some segments

Mid-Small-Large Caps performance (YTD2024)



Source: ICRA MFI, Data as on 31 March 2024, **Past performance may or may not be sustained in the future and is not indicative of future results.**

# Smaller companies tend to do well during economic / earnings recovery...



Indices	Free Float PAT Growth				CAGR FY23 - 26 E	PE (x)		
	FY23A	FY24E	FY25E	FY26E		FY24E	FY25E	FY26E
<b>Nifty Midcap 100</b> Growth (YoY)	22.4%	41.5%	25.5%	28.4%	27.0%	37.0	29.5	22.9
<b>Nifty Smallcap 100</b> Growth (YoY)	52.2%	9.6%	39.8%	25.0%	32.2%	27.8	19.9	15.9
<b>Nifty 50</b> Growth (YoY)	17.0%	12.8%	15.4%	10.8%	13.1%	23.7	20.5	18.5

Source – MOSL, CRISIL, Latest data available as on 31 March 2024, All Indices value rebased to 5000, Nifty Midcap 100, Nifty Smallcap 100, Nifty50 index Absolute returns for (1) 31 Mar '04 to 31 Mar 08, (2) 31 Mar '13 to 31 Mar '18 and (3) 31 Mar '20 to 31 March '24

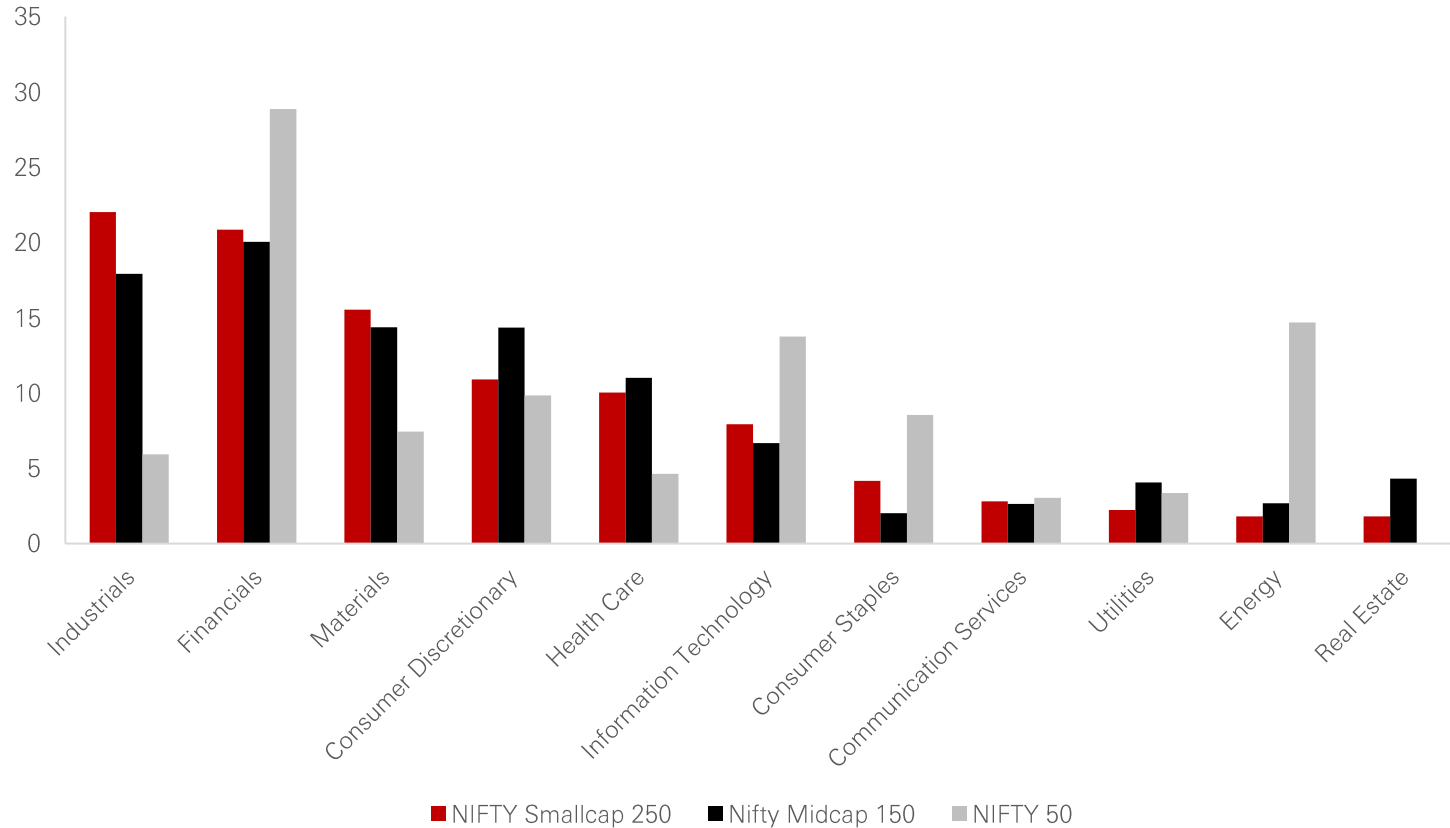
Consensus estimates for some companies are not available and those are excluded from the data.

A – Actuals, E – Estimates, FY23A – FY23 actuals, FY24E – FY24 estimates, FY25E – FY25 estimates, FY26E – FY26 estimates,

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

# An essential diversification – Smallcaps vs Midcaps vs Largecaps

Sector Diversification



Variation in Sector allocation

Greater Diversification  
Greater Opportunities

Additional sector opportunities

**Small and Mid cap stock indices may offer more diversified universe for investment**



# Trending themes

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# Thrust on manufacturing opens opportunities

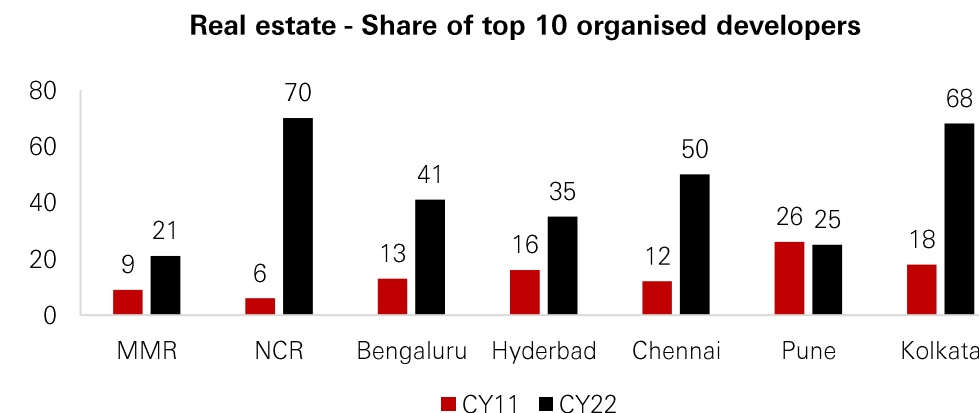
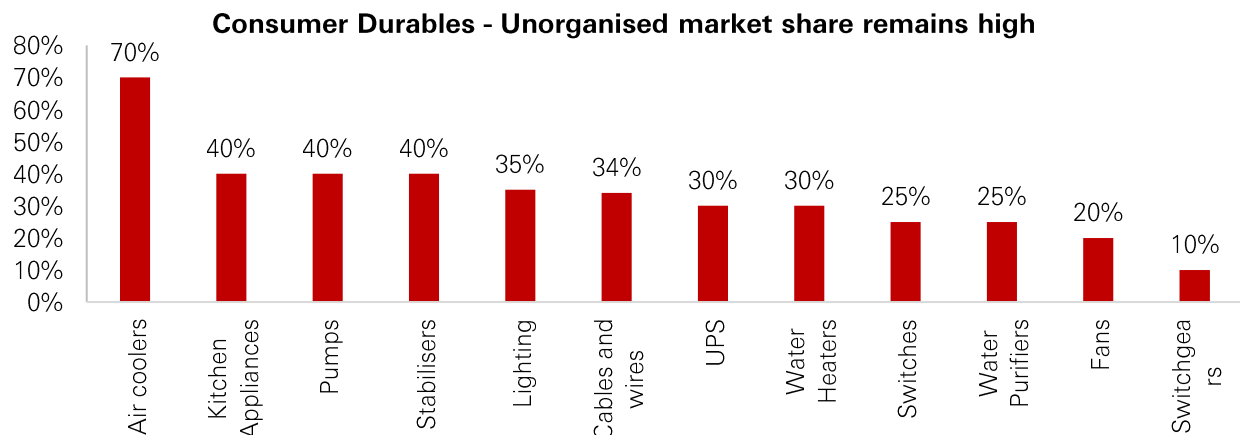
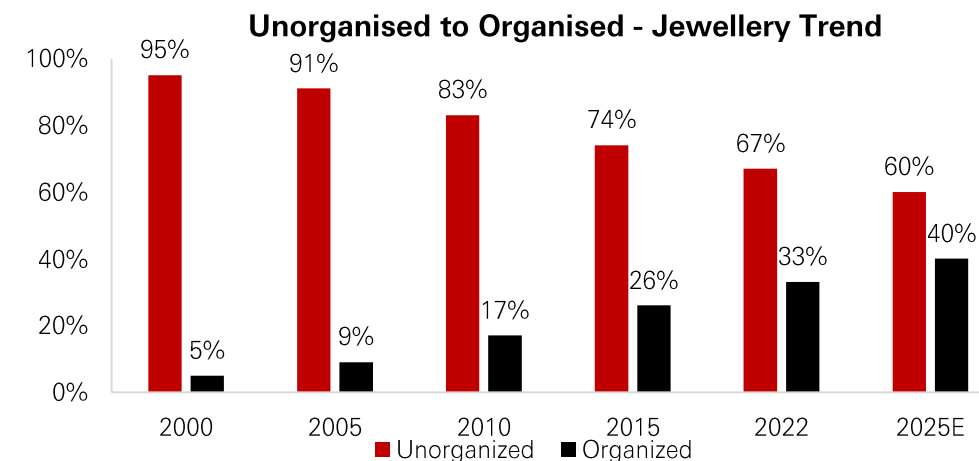
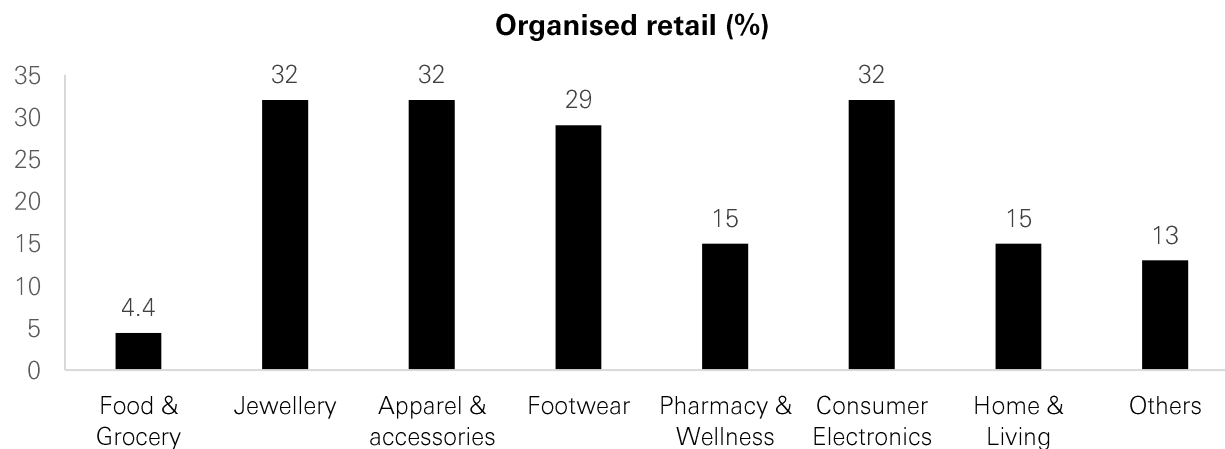
- Government has announced incentives worth USD 32.5 bn to promote domestic manufacturing under Production Linked Scheme (PLI)
- Increasing share of manufacturing in GDP – China +1 strategy
- Visible signs of capex uptick leading to rerating of industrial stocks

Sector	2021 India Mfg. GDP in		2025 India Mfg. GDP in		Indicative opportunities
	USD bn (% share) ^	2021 China's Mix	USD bn (% share) (E)		
Limited dependency on natural resources reserves	Auto & other transportation	49 (11%)	9%	230 (10%)	Electric Vehicles, Hydrogen Fuel Cells
	Machinery	27 (6%)	8%	138 (6%)	Manufacturing equipment for other sectors
	Chemicals	40 (9%)	8%	207 (9%)	Specialty Chemicals, etc.
	Pharmaceuticals	36 (8%)	3%	115 (5%)	CDMO biggest growth opportunity
	Electrical	13 (3%)	8%	138 (6%)	5G, Sub-components, Semiconductors, CCTV, etc.
	Electronics	9 (2%)	13%	161 (7%)	
	Miscellaneous	40 (9%)	8%	184 (8%)	Defense, Medical Consumables/devices, etc.
Directly dependent on natural resources	Metal & Metal Products	62 (14%)	19%	345 (15%)	
	Food Products	58 (13%)	9%	276 (12%)	
	Textile Products	49 (11%)	5%	207 (9%)	
	Wood, rubber & paper products	35 (8%)	5%	161 (7%)	
	Petroleum products	27 (6%)	5%	138 (6%)	
<b>Total</b>		<b>US\$ 0.4 Tn</b>	<b>US\$ 3.9 Tn</b>	<b>US\$ 2.3 tn</b>	

Source: Centre for Monitoring Indian Economy (CMIE), Ministry of Statistics and Program Implementation (MoSPI), National Account Statistics, Worldbank, Statista, Latest available data, Data on 30 June 2023

Note: ^ % share calculated by applying GVA mix on GDP. China's Mix is based on revenue of 3.7L Chinese companies; 1USD = INR 80

# Visible shift in market share from unorganised to organised players may throw up opportunities



## Organised retail has significant growth opportunities ahead

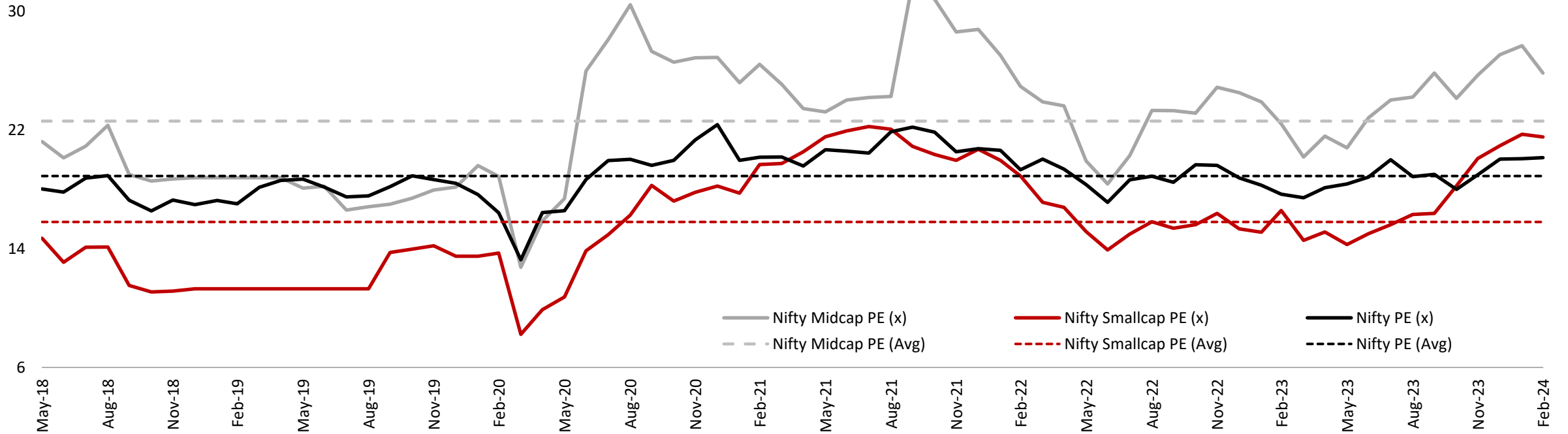
Source: Bloomberg, Credit Suisse, Kalyan Jewellers RHP, Investec, Data as on 30 June 2023 **Past performance may or may not be sustained in the future and is not indicative of future results.**

Data provided is only for illustration purposes. It does not depict or indicate any promise / guarantee / assurance for future returns.

# Emerging Businesses from diverse sectors - IPOs

Issuer Company	Sector	Open Date	Close Date	Issue Size (Rs Cr.)
Campus Activewear Limited IPO	Footwear	26-Apr-22	28-Apr-22	1,400
Rainbow Children's Medicare Limited IPO	Pharma & Healthcare	27-Apr-22	29-Apr-22	1,581
Life Insurance Corporation of India (LIC) IPO	Financial Services	4-May-22	9-May-22	21,008
Prudent Corporate Advisory Services Limited IPO	Financial Services	10-May-22	12-May-22	539
Delhivery Limited IPO	Logistics	11-May-22	13-May-22	5,235
Venus Pipes & Tubes Limited IPO	Metals & Minerals	11-May-22	13-May-22	165
Paradeep Phosphates Limited IPO	Chemicals	17-May-22	19-May-22	1,502
Ethos Limited IPO	Retail and Fashion	18-May-22	20-May-22	472
eMudhra Limited IPO	Others	20-May-22	24-May-22	413
Aether Industries Limited IPO	Chemicals	24-May-22	26-May-22	808
Syrma SGS Technology Ltd IPO	Electronics Manufacturing	12-Aug-22	18-Aug-22	840
Dreamfolks Services Limited IPO	Information Technology	24-Aug-22	26-Aug-22	562
Tamilnad Mercantile Bank Limited IPO	Financial Services	5-Sep-22	7-Sep-22	808
Harsha Engineers International Ltd IPO	Auto and Auto Ancillaries	14-Sep-22	16-Sep-22	755
Electronics Mart India Limited IPO	Electronics Manufacturing	4-Oct-22	7-Oct-22	500
Tracxn Technologies Limited IPO	Information Technology	10-Oct-22	12-Oct-22	309
DCX Systems Limited IPO	Aerospace & Defence	31-Oct-22	2-Nov-22	500
Fusion Micro Finance Limited IPO	Financial Services	2-Nov-22	4-Nov-22	1,104
Global Health Limited IPO	Pharma & Healthcare	3-Nov-22	7-Nov-22	2,206
Bikaji Foods International Limited IPO	Agri & FMCG	3-Nov-22	7-Nov-22	881
Five Star Business Finance Ltd IPO	Financial Services	9-Nov-22	11-Nov-22	1,593
Archean Chemical Industries Limited IPO	Chemicals	9-Nov-22	11-Nov-22	1,462
Kaynes Technology India Ltd IPO	Electronics Manufacturing	10-Nov-22	14-Nov-22	858
Inox Green Energy Services Limited IPO	Power	11-Nov-22	15-Nov-22	740
Keystone Realtors Limited IPO	Real Estate	14-Nov-22	16-Nov-22	635
Dharmaj Crop Guard Limited IPO	Chemicals	28-Nov-22	30-Nov-22	251
Uniparts India Limited IPO	Auto and Auto Ancillaries	30-Nov-22	2-Dec-22	836
Sula Vineyards Limited IPO	Agri & FMCG	12-Dec-22	14-Dec-22	960
Abans Holdings Limited IPO	Others	12-Dec-22	15-Dec-22	346
Landmark Cars Limited IPO	Auto and Auto Ancillaries	13-Dec-22	15-Dec-22	552
KFin Technologies Limited IPO	Financial Services	19-Dec-22	21-Dec-22	1,500
Elin Electronics Limited IPO	Electronics Manufacturing	20-Dec-22	22-Dec-22	475
Radiant Cash Management Services Limited IPO	Financial Services	23-Dec-22	27-Dec-22	257
Sah Polymers Limited IPO	Others	30-Dec-22	4-Jan-23	66
Divgi TorqTransfer Systems Limited IPO	Auto and Auto Ancillaries	1-Mar-23	3-Mar-23	412
Global Surfaces Limited IPO	Building Material	13-Mar-23	15-Mar-23	155
Udayshivakumar Infra Limited IPO	Infrastructure	20-Mar-23	23-Mar-23	66
Avalon Technologies Limited IPO	Electronics Manufacturing	3-Apr-23	6-Apr-23	865
Mankind Pharma Limited IPO	Pharma & Healthcare	25-Apr-23	27-Apr-23	4,326
Nexus Select Trust REIT	Real Estate Investment Trust	9-May-23	11-May-23	3,200
IKIO Lighting Limited IPO	Electronics Manufacturing	6-Jun-23	8-Jun-23	607
HMA Agro Industries Limited IPO	Agri & FMCG	20-Jun-23	23-Jun-23	480
ideaForge Technology Limited IPO	Aerospace & Defence	26-Jun-23	30-Jun-23	567
Cyient DLM Limited IPO	Information Technology	27-Jun-23	30-Jun-23	592
Senco Gold Limited IPO	Jewellery	4-Jul-23	6-Jul-23	405
Utkarsh Small Finance Bank Limited IPO	Financial Services	12-Jul-23	14-Jul-23	500
Netweb Technologies India Limited IPO	Information Technology	17-Jul-23	19-Jul-23	631

# Valuations



## Valuations above averages but earnings expected to support

Source – MOSL, Latest data available as on 31 March '24, 1-year forward P/E (x), AVG – Average of respective indices PE for 5 years, Nifty 50, NSE Mid Cap and NSE Small Cap indices, **Past performance may or may not be sustained in the future and is not indicative of future results.**

## 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

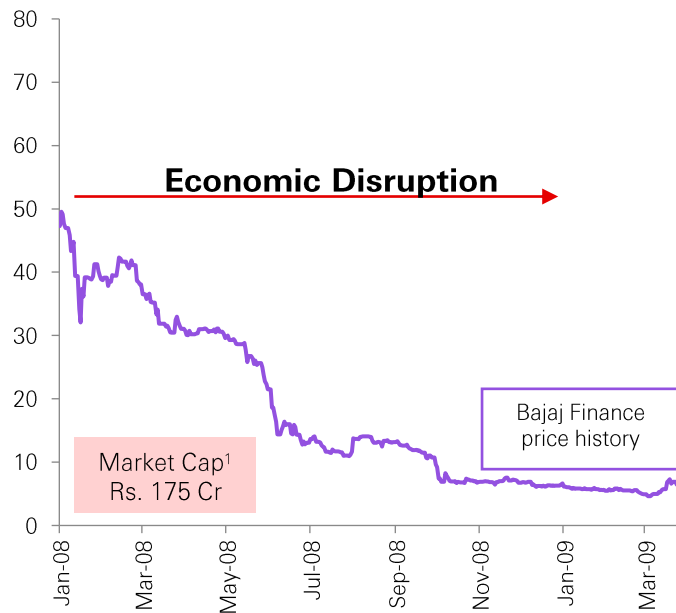
Moats

**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

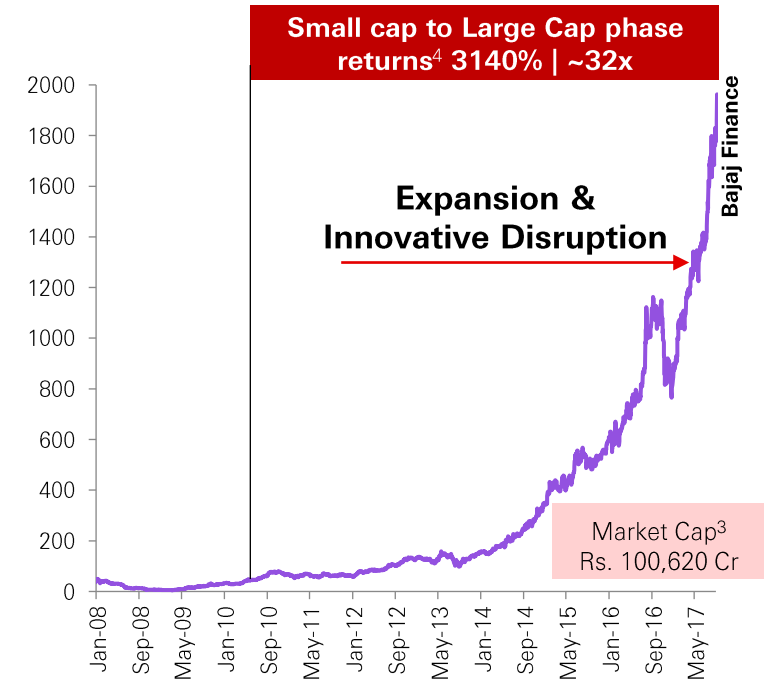
## Bajaj Finance stock progression



Small Cap



Mid Cap

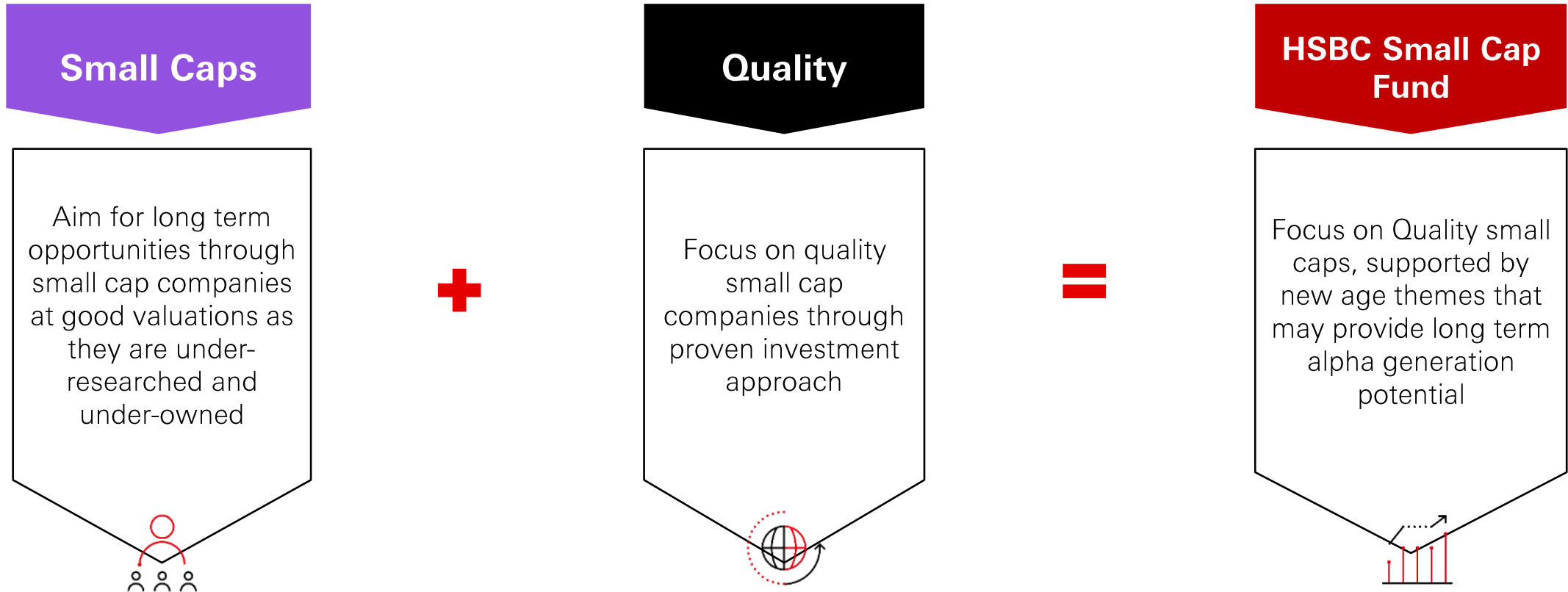


Large Cap

## 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**

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 .



# Fund Snapshot and Portfolio Strategy

HSBC Small Cap Fund

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM
Small Cap Fund	Venugopal Manghat, Cheenu Gupta and Sonal Gupta#	NIFTY Small Cap 250 TRI	12 May 2014	Rs. 13401.24 Cr



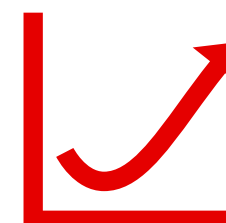
**Well diversified portfolio with wide representation of sectors**



**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**

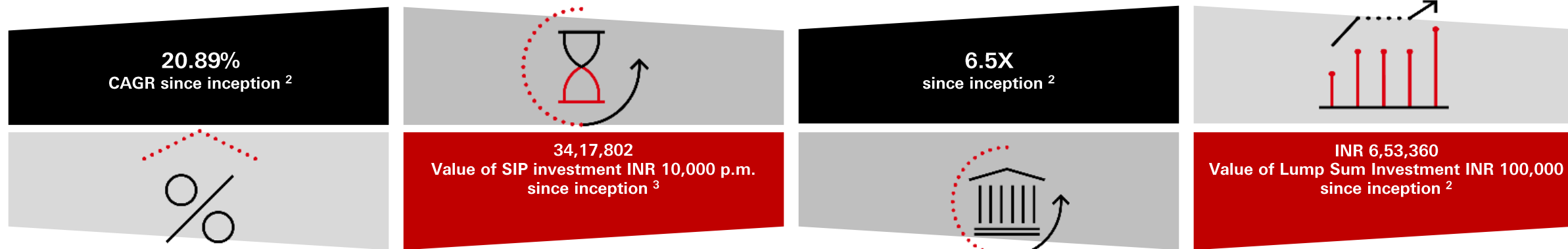


**Exposure to other stocks than small cap stocks in the portfolio to aim to maintain stability**

<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. # 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 March 2023.

# Portfolio snapshot

## HSBC Small Cap Fund



Portfolio	% to net assets
Apar Industries Limited	3.31%
EIH Limited	2.89%
Brigade Enterprises Limited	2.70%
Sonata Software Limited	2.64%
KEI Industries Limited	2.45%
KPIT Technologies Limited	2.43%
KPR Mill Limited	2.23%
NCC Limited	1.96%
Century Textiles & Industries Limited	1.95%
Mahindra Lifespace Developers Limited	1.86%

Sector - Allocation	% to net assets
Industrial Products	19.20%
IT - Software	8.13%
Construction	7.12%
Realty	6.79%
Consumer Durables	5.30%
Textiles & Apparels	4.74%
Auto Components	4.73%
Pharmaceuticals & Biotechnology	4.55%
Banks	4.04%
Leisure Services	3.75%

<sup>2</sup> As on 31 March 2024 of Growth option regular plan. During the same period, scheme benchmark (NIFTY Small Cap 250 TRI) has moved by 5.4X to Rs 5,40,290 from Rs 100,000 and delivered return of 18.61% Please refer page no. 3 for detailed performance of HSBC Small Cap Fund. <sup>3</sup> During the same period, value of scheme benchmark (NIFTY Small Cap 250 TRI) has moved to 31,13,154. **Past performance may or may not be sustained in the future and is not indicative of future results.**

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

# Why HSBC Small Cap Fund?

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- 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

Fund Manager - Venugopal Manghat Effective 17 Dec 2019. Total Schemes Managed - 7

Fund Manager - Cheenu Gupta Effective 01 Oct 2023. Total Schemes Managed - 12

Fund Manager - Sonal Gupta Effective 05 Jul 2021. Total Schemes Managed - 16

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 Small Cap Fund-Regular Plan~	14710	46.95	22810	31.60	27604	22.46	65336	20.89	12-May-14
Scheme Benchmark (NIFTY Small Cap 250 TRI)	16415	64.60	21135	28.39	27630	22.53	54029	18.61	
Additional Benchmark (Nifty 50 TRI)	13008	30.27	15736	16.35	20356	15.27	35942	13.82	

**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 March 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. ~ Face value Rs 10

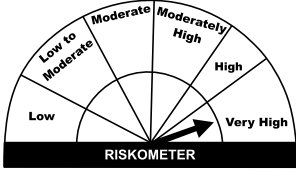
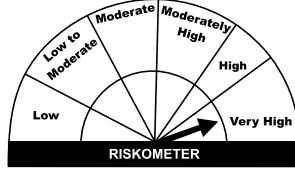
SIP Performance - HSBC Small Cap Fund – Regular Plan					Inception Date: 12-May-14
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1180000	
Market Value as on March 31, 2024 (₹)	1,40,180	5,31,623	12,93,355	34,17,802	
Scheme Returns (%)	32.64	27.05	31.32	20.55	
NIFTY Small Cap 250 TRI - Scheme Benchmark (₹)	1,47,713	5,38,831	12,86,916	31,13,154	
NIFTY Small Cap 250 TRI - Scheme Benchmark Returns (%)	45.50	28.05	31.11	18.78	
Nifty 50 TRI - Additional Benchmark (₹)	1,37,023	4,61,308	9,51,763	25,32,782	
Nifty 50 TRI - Additional Benchmark Returns (%)	27.36	16.80	18.52	14.87	

**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 March 2024

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

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
<p><b>HSBC Small Cap Fund</b> An open ended equity scheme predominantly investing in small cap stocks</p> <p><b>This product is suitable for investors who are seeking*:</b></p> <ul style="list-style-type: none"> <li>• Long term capital appreciation</li> <li>• 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</li> </ul>	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p>	<p>Benchmark : NIFTY Small Cap 250 TRI</p>  <p>RISKOMETER</p>

\* 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 March 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

# Disclaimer

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

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