

Amplify opportunities

HSBC Small Cap Fund



India – reforms to support high growth

Business Reforms , Infrastructure, Technology, Sustainable Energy



Production Linked Incentives

- Financial incentives worth USD 26 Bn to promote domestic production in 14 sectors



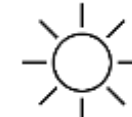
Ease of Doing Business

- 79 positions jump in rank over 5 years, in World Bank's Ease of Doing Business ranking;
- among top 5 economies for ease of starting new business; reduce numerous compliances to improve industrial ecosystem;
- Single Window Digital platform for investor approvals



e-Rupee

- 1st official digital currency of India launched



Energy Commitment

- Meet 50% country's energy requirements using renewable energy sources by 2030;
- Net Zero emissions by 2070

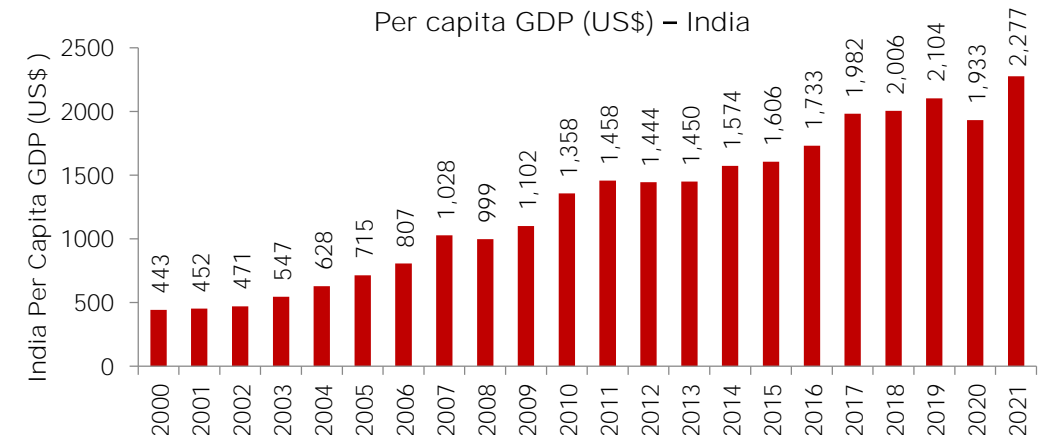
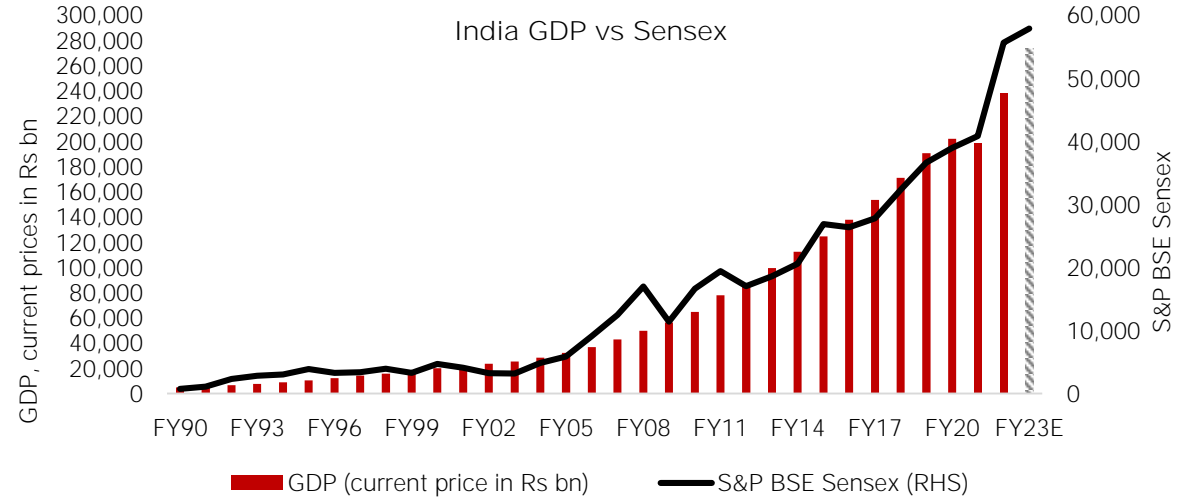


Technology-led Startups across Sectors

- e.g. Fintech,
- Edtech,
- Agritech
- 10x increase in total investments

Relative outperformance and rising per capita

- 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
- Lower crude oil prices likely to support Indian economy
- Make in India, PLI and other GOI reforms are expected to show a positive impact on equity markets over the long term
- India's earnings momentum continues to be strong
- Cyclical revival to bring multi-year earnings visibility



Long term outlook for Indian equities continue to grow stronger

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

Small Cap Theme

What are Small Caps?

Small Cap Pearls

Emerging businesses with an opportunity to generate higher Alpha

Small Caps

251st company and beyond

Niche and emerging businesses

High growth potential

Relatively volatile and less liquid

Higher research arbitrage

Potential multi baggers

Mid Caps

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

Large Caps

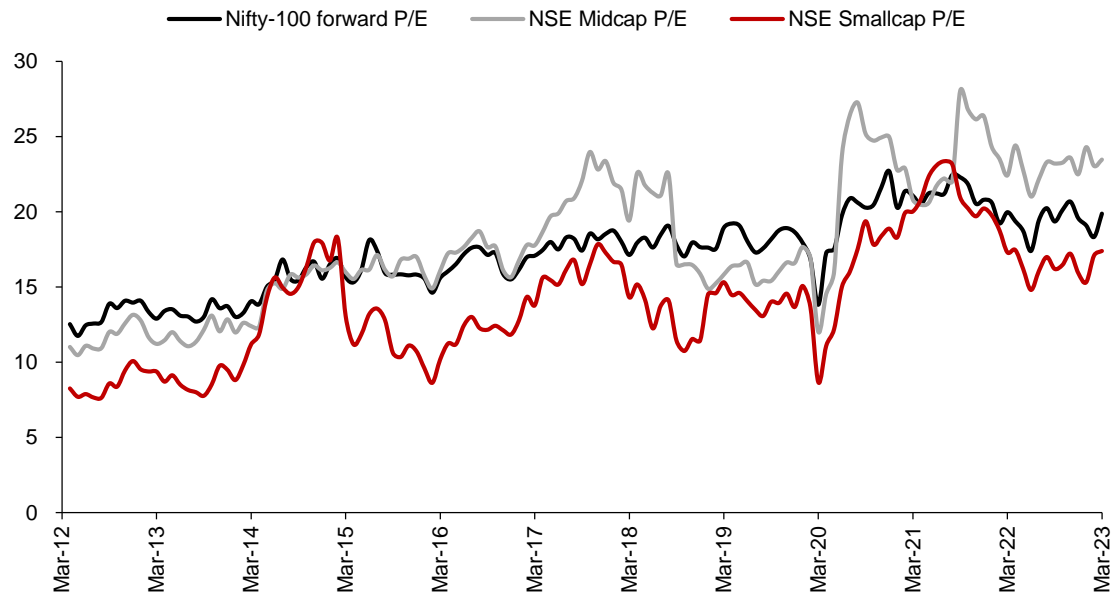
- Top 100 stocks
- Evolved businesses with track record
- Dominant big players
- Highly liquid in markets

Small Cap advantage – emerging businesses with great 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.

Focus on Small Caps

Small caps are best option to hold emerging business leaders



Stocks from relatively new sectors getting listed and many of these are Small and Mid caps

Market share shift from unorganized to the organized sector beneficial to well run companies of this size

India gaining traction as a manufacturing source - Opportunities for smaller ancillary sector companies

Robust earning growth momentum cycle visible for companies across Small and Mid Caps, alongside Large Caps

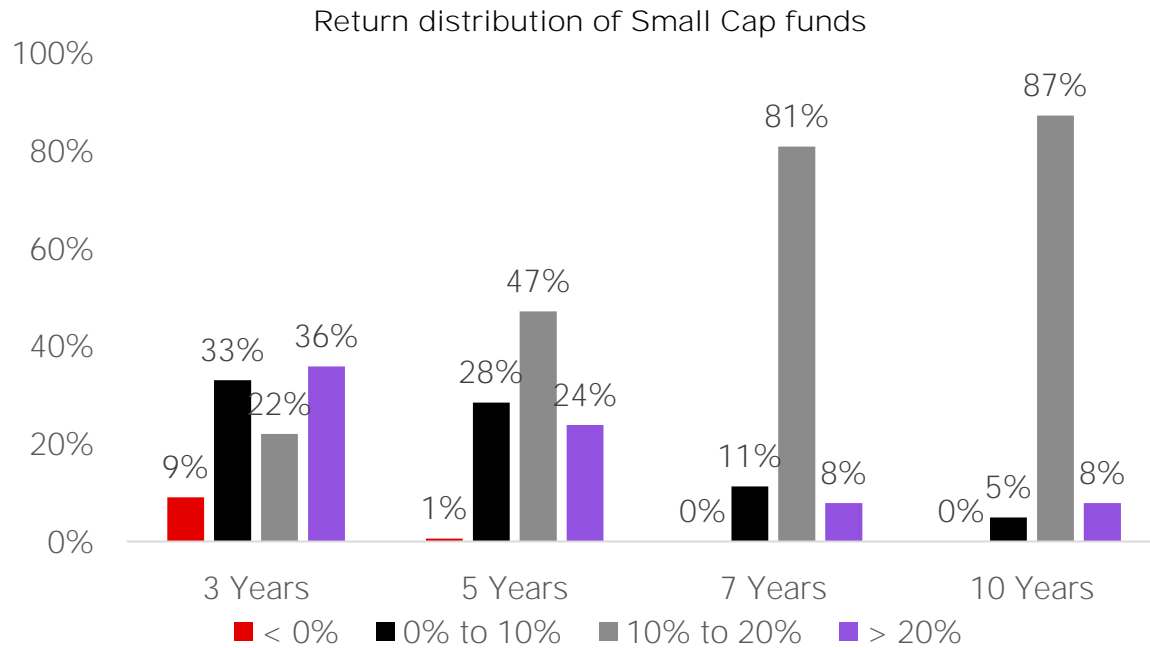
Small Caps at relatively reasonable valuations considering better earnings growth expectations

Historically, Small Caps have delivered relatively higher growth over a long term

Source – Kotak, 1 year forward PE, Data as at Feb '23, 1-year forward P/E of Nifty100, NSE Mid Cap and NSE Small Cap indices, calendar year-ends, 2012-23 (X),

Why Small Caps?

Potential alpha generators



Large under owned universe of small cap stocks

Small Cap Features



Multi-baggers of tomorrow



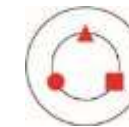
High earnings growth potential



Under-researched and under-owned



Opportunities to spot pricing anomalies



Diversity and alpha potential

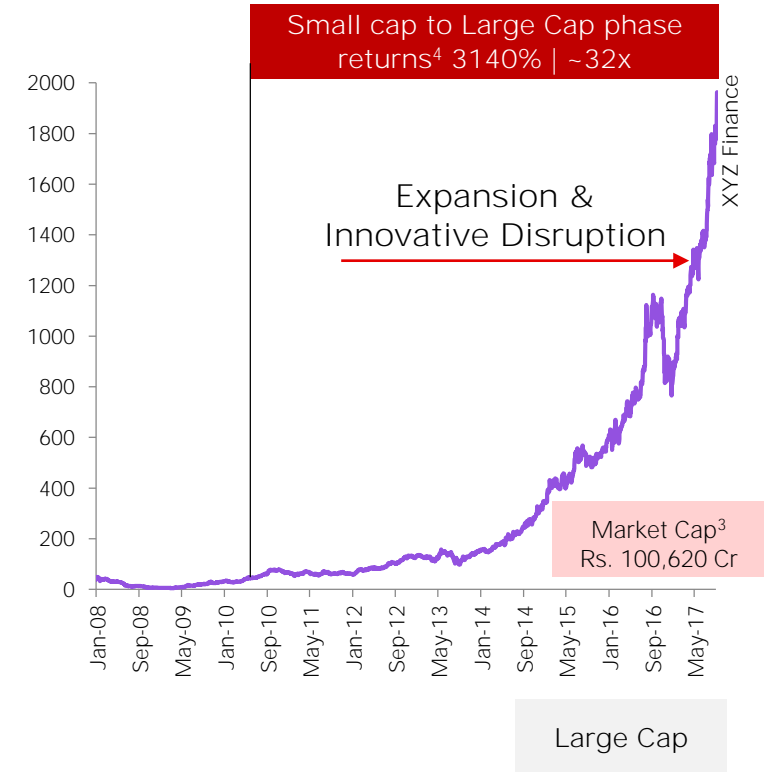
Small Caps offer more probability of delivering high alpha

For illustration purpose only. Source: NSE, CRISIL, Data as at December 2022, Small Cap Funds are represented by weighted average index of 23 Small Cap funds representing the Small Cap category, Return distribution based on a daily rolling returns of various holding periods. Period considered: 1 January 2005 – 31 December 2022, Returns of Small cap funds is average of funds from respective category. Past performance may or may not be sustained in the future.

Small Cap to Large Cap progression

Journey of a Small cap stock – XYZ Finance

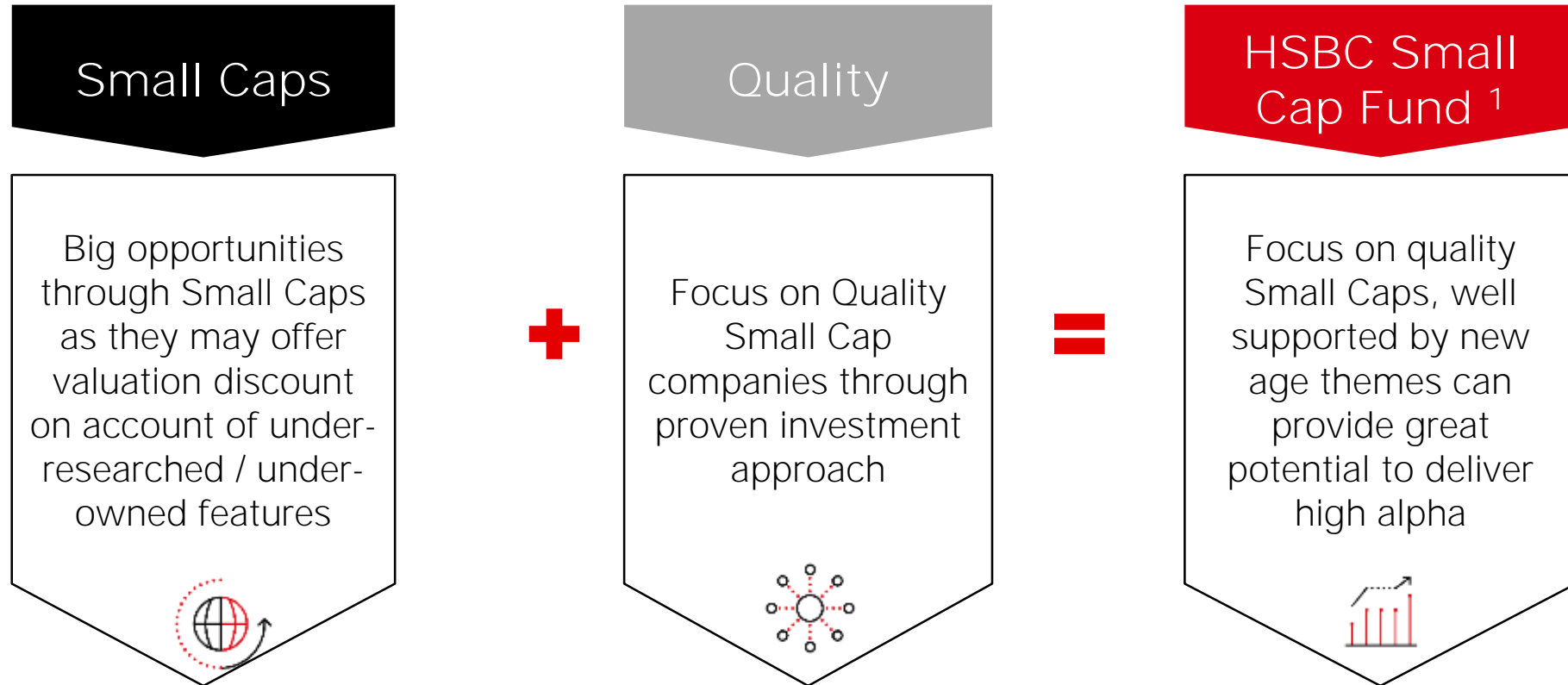
XYZ Finance stock progression



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. Past performance may or may not be sustained in the future.

HSBC Small Cap Fund



HSBC Small Cap Fund with focus on quality has potential to deliver sustainable high growth

HSBC Small Cap Fund (Formerly known as L&T Emerging Businesses Fund)
Small Cap Fund - An open ended equity scheme predominantly investing in small cap stocks
HSBC Small Cap Equity Fund has merged into L&T Emerging Businesses Fund and the surviving scheme has been renamed)

HSBC Small Cap Fund

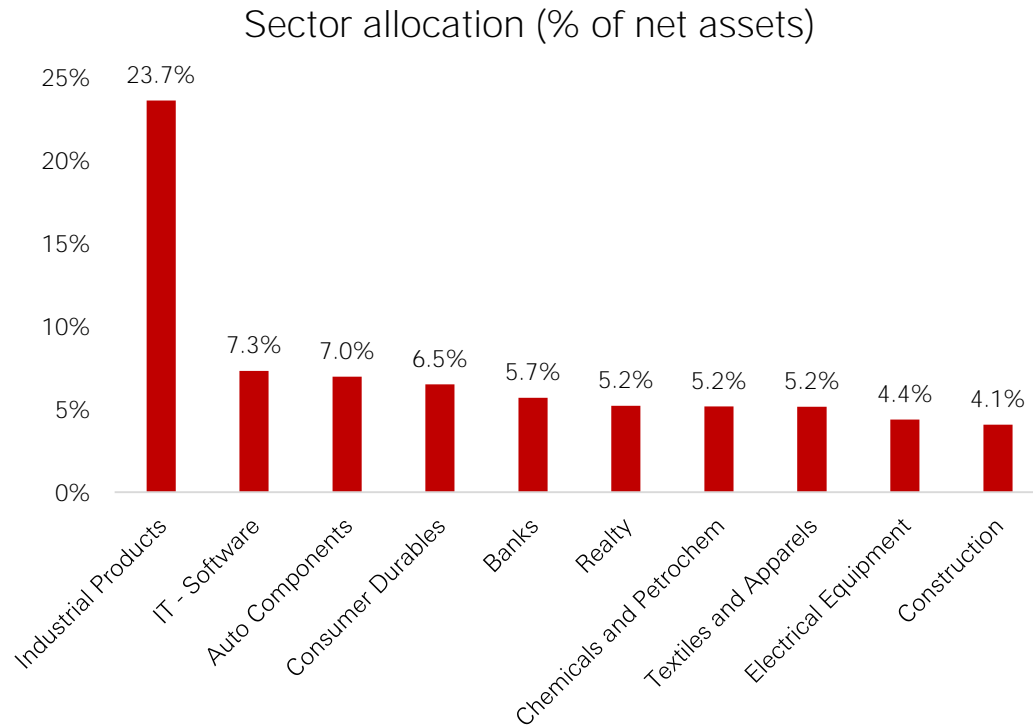
Fund Category	Fund Manager	Benchmark ¹	Inception Date	AUM
Small Cap Fund	Venugopal Manghat and Vihang Shankar Naik	NIFTY Small Cap 250 TRI	12 May 2014	Rs. 8718.44 Cr

Stock selection

- Investment in smaller size businesses in their early stage of development that have higher potential for growth in the long run
- Focus on growth potential in revenue and profits as compared to broader market with relatively higher risk
- Follows bottom-up stock selection using proprietary investment approach
- Provides an opportunity to invest in undervalued, under-owned, and under researched segments that can deliver strong growth
- Valuation is the most important key focus while investing in stocks with an adequate margin of safety

Portfolio (Top holdings)	% of net assets
KPR Mill Limited	3.37%
Apar Industries Limited	3.34%
KEI Industries Limited	2.59%
JK Lakshmi Cement Limited	2.58%
Carborundum Universal Limited	2.54%
Indian Bank	2.50%
Grindwell Norton Limited	2.43%
Sonata Software Limited	2.35%
KPIT Technologies Limited	2.31%
Cera Sanitaryware Limited	2.27%

Sector allocation

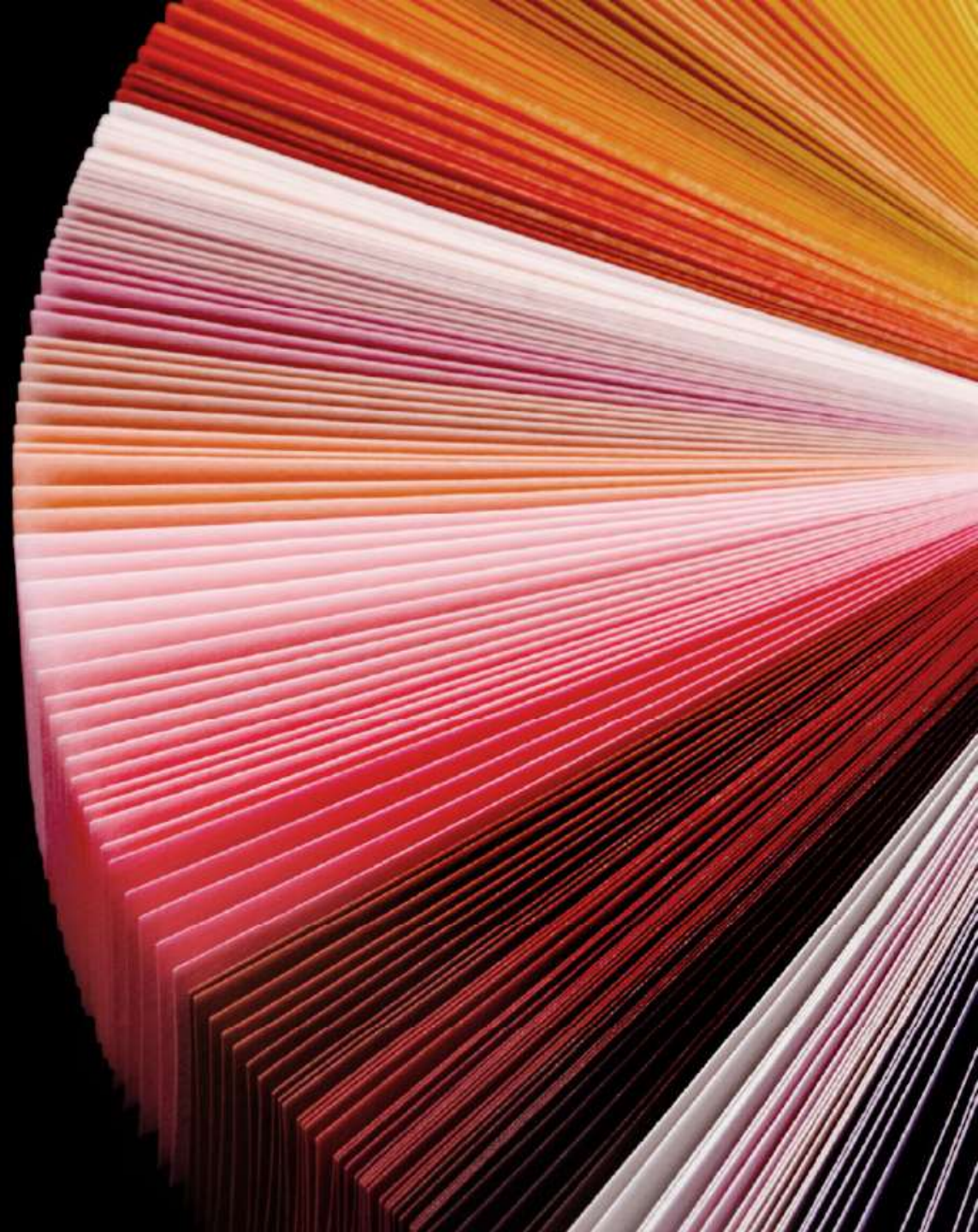


Why HSBC Small Cap Fund?

- Small cap stocks have a higher potential for growth in the long run. HSBC Small Cap Fund invests in smaller size businesses in their early stage of development
- These businesses have huge growth potential in revenue and profits as compared to broader market with relatively higher risk.
- The fund seek an exposure in small cap segment stocks for higher alpha generating opportunities
- Follows bottom-up stock selection using our proprietary investment approach
- At least 65% exposure to stocks beyond the top 250, in terms of market capitalization
- Provides an opportunity to invest in undervalued, under-owned, and under researched segments that can deliver strong growth
- Valuation is the most important key – focus on investing in stocks with an adequate margin of safety

HSBC Mutual Fund

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 Nifty 250 small cap index; 437 companies from NIFTY 500 TRI, remaining outside Nifty 500 TRI
Source: HSBC Mutual Fund

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

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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 superior long-term performance

Research based stock selection

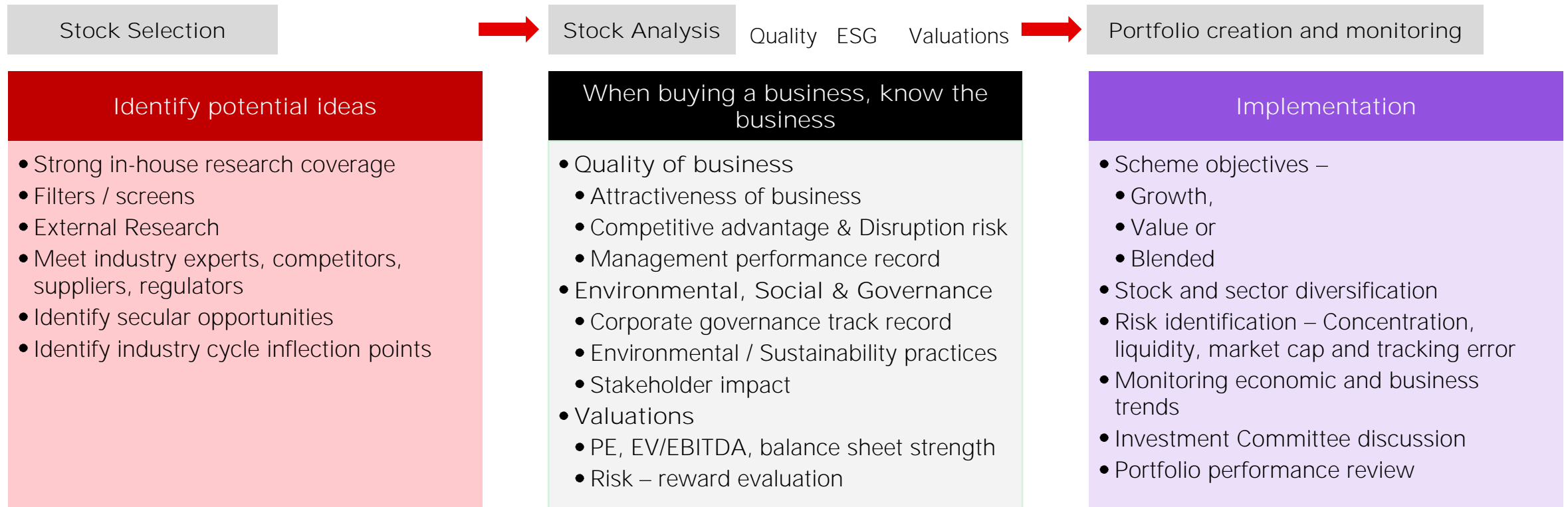
- Focus is on identifying stocks with
 - Strong business fundamentals,
 - Better growth prospects and
 - Undervalued relative to their intrinsic worth

Robust risk management

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

Equity - Investment Process

Power of SAPM - Equity investment process comprises three stages



Fund Managers Profile



Mr. Venugopal Manghat
CIO – Equities, Fund Manager

Mr. Venugopal Manghat: Fund Manager for HSBC Small Cap Fund. He has an experience of 29 years in Indian equity markets. Prior to becoming CIO Equities at HSBC Asset Management, he was Head Equities at L&T Investment Management.

Before that he was Co-head of Equities at Tata Asset Management. He started his career as a research analyst on the sell side before joining Tata Asset Management. He holds a Bachelor of Mathematics degree and an MBA in Finance.



Vihang Naik
SVP, Fund Manager

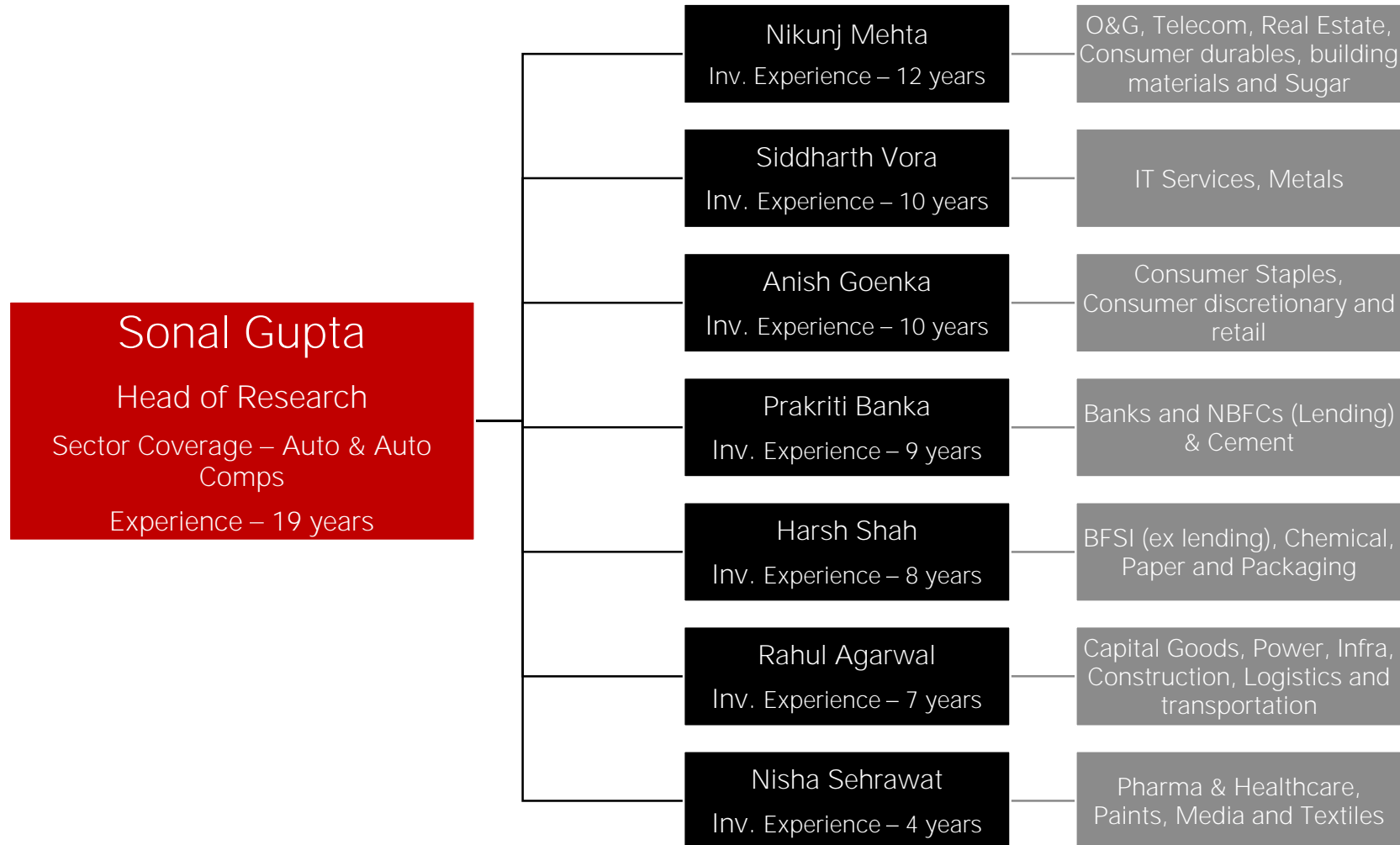
Vihang Naik: Co-Fund Manager for HSBC Small Cap Fund

Vihang Naik is an equity fund manager at HSBC Mutual Fund. Vihang has an overall experience of 16 years in equity research. Prior to this, he was associated with for L&T Investment Management as equity fund manager. His previous assignments include research analyst in MF Global Sify Securities, Motilal Oswal Securities and SBI Cap Limited.

Vihang is a Certified Financial Analyst and a Bachelor of Management Studies from Mumbai University.

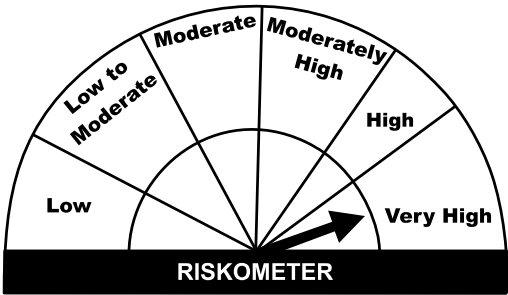
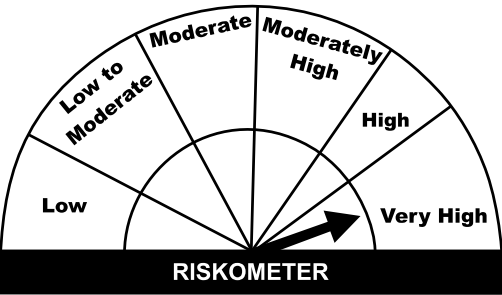
Equity Research Team

- Team of 8 Analysts with wide sector coverage
- More than 50% of the team with 8+ years investments experience



Source: HSBC Mutual Fund

HSBC Small Cap Fund (Erstwhile L&T Emerging Businesses Fund) - Small Cap Fund – An open ended equity scheme predominantly investing in small cap stocks

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> <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 <p>(Benchmark : S&P BSE 250 Small Cap Index 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 on Risk-o-meters: Riskometer is as on 31 March 2023, 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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