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Fund Insight

HSBC Consumption Fund

(An open ended equity scheme following consumption theme)

We would like to thank all the investors in HSBC Consumption Fund for their belief and trust in HSBC Mutual fund. Our journey has started on a good note in terms of Consumption theme. However, let us re-iterate that Consumption is a multi-decade theme in India and this is just the beginning. Hence, we thought it is a good time to update about our fund and see if we are tracking to what we said during NFO roadshows.

We told you that we will try to be different from Benchmark (Nifty India Consumption Index TRI):

- Our portfolio consists of 44 stocks of which only 12 stocks are part of Benchmark and stocks that are part of benchmark account for 43% of our Fund which reflects our intent to have higher active share in the portfolio.
- Our attempt is to have stocks in the portfolio which will become part of the benchmark in the future years – Zomato which wasn't part of the Benchmark till Feb'24 has now entered Consumption Index in Mar'24 but we already had Zomato in our fund.
- Sector like Real estate is close to every Indian consumer's heart and given the positive cycle we believe that it deserved a higher weight than being represented in the Benchmark, hence we built our position that way.
- Similarly, we have excluded some of the sectors like Power which are part of the benchmark, but we are relatively less positive on that.

As highlighted during the time of NFO that we believe as India's per capita income increases, consumer spend towards Discretionary products will increase at a faster pace. Hence, we have inclined our portfolio positioning towards Discretionary sector than FMCG:

- Our Fund's 19% FMCG weight is significantly underweight v/s Benchmark which is at 34%

- And the portfolio is skewed towards Consumer Services & Durables which has 39% weight v/s 24% in Benchmark.
- In our fund we have tried to capture consumption spending across various sub-sectors. For instance, within the Consumer Durables we have exposure to not only Durables but also to Jewelry, Stationery, Luggage and Shoe companies. While in Consumer services we have Hotels, Apparel, QSR, Travel, Media, and Electronic Retail.
- Certain segments of Financial Services industry are also an integral part of the entire consumption theme and we have allocated some weight to non-lending Financial companies like Insurance, Exchange, and Wealth management business.

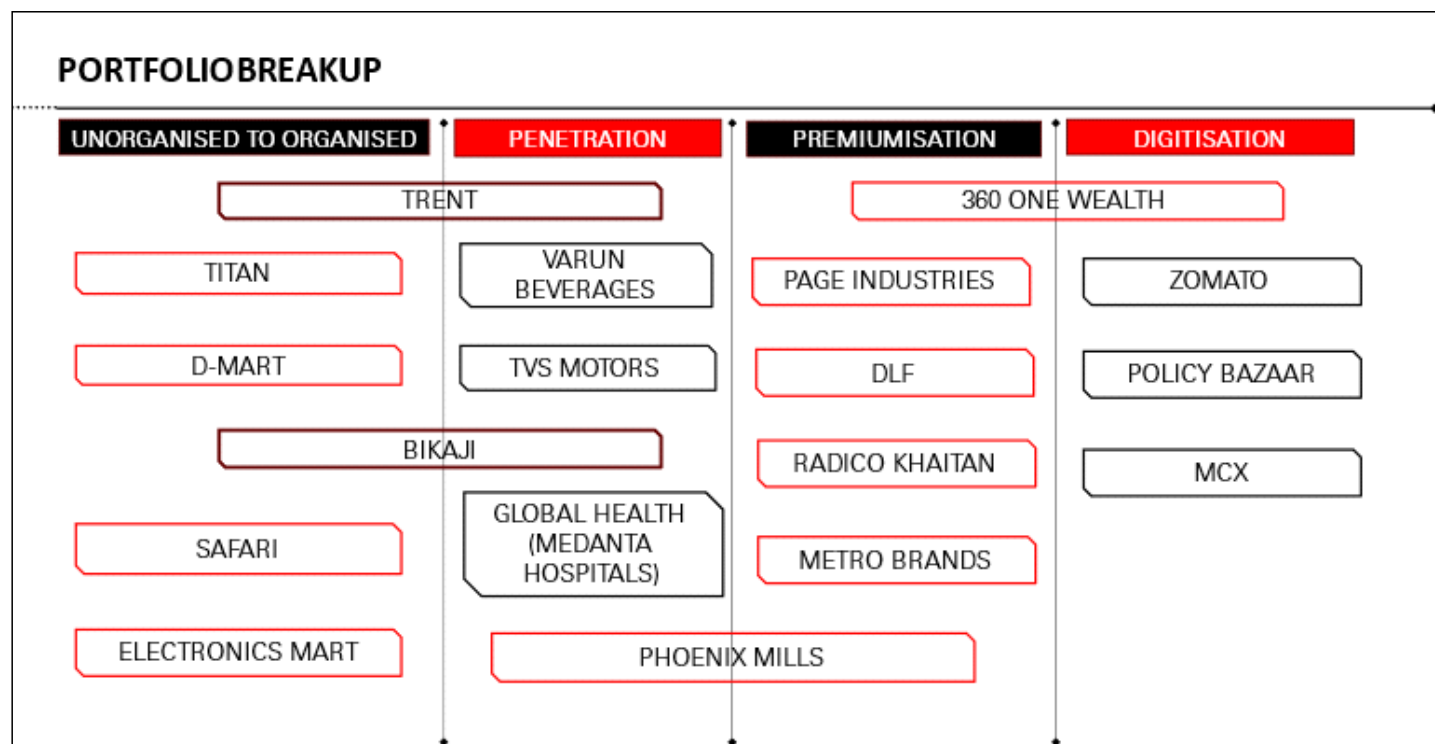
Sectors	Benchmark	Portfolio
Fast Moving Consumer Goods	34.1	19.7
Consumer Durables	11.9	20.7
Telecommunication	9.8	5.6
Consumer Services	13	18.7
Healthcare	4.6	6.8
Automobile and Auto Components	20.9	6.5
Financial Services	0	8.5
Realty	2.1	7.2
Textiles	0	1.6
Media & Entertainment	0	1.2
Power	3.6	0

We would have a diversified portfolio across Market caps:

- Currently Large Cap is 50% while Mid-Cap 22% & Small cap is 25% which makes our portfolio fairly diversified
- We will try to maintain this sort of M-cap balance as this gives us the freedom to choose and capture the opportunity wherever they are.
- There are 4 stocks which are not part of NSE 500, and we hope to keep finding upcoming consumer companies.

Classification	Benchmark	Portfolio
Large Cap	100	50
Mid Cap	0	22
Small Cap	0	25

We had also talked about 4 key drivers that we see playing out and below is a fair representation of how we have divided our fund into different enablers. Hope this gives a different perspective of our portfolio.



Varun Beverages – 6.1% allocation in the Fund

- VBL is PepsiCo’s second largest franchisee (outside the US), a player in mass discretionary category
- Increasing penetration across existing Indian and International markets by improving distribution, expansion of portfolio (energy drinks/value-added dairy/juices) and geographical presence (DRC capacity addition, South Africa BevCo acquisition), plus India capacity enhancement (45% incremental capacity in CY24 vs CY22-end) should lead to market share gains
- Foods outsourcing by Pepsi has just started and remains an option value

Global Health (Medanta Hospitals) – 4.3% allocation in the Fund

- Medanta was the ‘first’ to set-up a large-scale, super-specialty and single-location private hospital at Gurugram in Cy09
- 50% addition in new beds over the next 3 years, scaling-up its developing hospitals at Lucknow and Patna driven by strong demand and faster breakeven, steady international patient flow, improving ARPOB (Average Revenue Per Occupied Bed) backed by superior payor mix/case mix and scope for inorganic opportunities gives confidence of steady growth.

Zomato – 3.4% allocation in the Fund

- Zomato has become a dominant player in the underpenetrated food delivery space and the argument of profitability is also behind us which is consistently improving through higher Ad incomes and introduction of Platform fee. And with continuous innovation like Zomato Every day, only Veg fleet, large order fleet etc. will drive further growth.

- Quick commerce (QC) has led to a rapid evolution in consumer habits which is one of the fastest growing categories in India's internet landscape where Blinkit is the largest player. With such a long runway of growth (larger customer base), adding new stores and cities, increasing assortment of discretionary products, and improving profitability makes QC a very attractive play.
- An asset-light balance sheet, solid free cash flow generation and healthy cash balance would facilitate Zomato's entry into adjacencies, enabling further value creation.

PB Fintech – 3.2% allocation in the Fund

- Being a first mover into the online insurance space and with significant investment being done in technology/ data analytics gives an edge to Policy Bazaar which commands market share of >90% in the online/web aggregator channel.
- PB Fintech has been consistently increasing its revenue base at a healthy pace and reducing overall cash burns, leading to company going from reporting net loss to turning net profit positive in FY24. With no new cash burn avenues visible, company should sustain profitability.

We also want to highlight what went wrong in one of our investments. We had invested in Zee Entertainment thinking that the merger between them and Sony will create a bigger and better player and place the combined entity in a good position. In addition, there were synergies which could have aided profitability as well. But unfortunately, the merger did not pan out as we expected for various reasons, and we chose to exit the stock given the uncertainties.

This is the end of the note but just the beginning of our consumption journey together. Keep consuming.

Note: 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: Bloomberg, HSBC Mutual Fund, Data as on 31 March 2024

Fund Manager - Gautam Bhupal Effective 31 Aug 2023. Total Schemes Managed - 13 Fund Manager - Anish Goenka Effective 01 Oct 2023. Total Schemes Managed - 1 Fund Manager - Sonal Gupta Effective 31 Aug 2023. Total Schemes Managed - 19					
Fund / Benchmark (Value of Rs 10,000 invested)	6 Months		Since Inception		31-Aug-23
	Amount in Rs	Returns %	Amount in Rs	Returns %	
HSBC Consumption Fund-Regular Plan	11729	37.93	11978	34.38	
Scheme Benchmark (Nifty India Consumption TRI)	11839	40.54	12244	39.01	
Additional Benchmark (Nifty 50 TRI)	11320	28.42	11637	28.45	

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

Returns for Equity & FOF schemes has been calculated as on last business day NAV provided as on 28 March 2024.

SIP Performance - HSBC Consumption Fund*– Regular Plan			Inception Date: 20-Aug-14
Scheme Name & Benchmarks	1 Year	Since Inception	
Total amount invested (₹)	60000	70000	
Market Value as on March 28, 2024 (₹)	65,703	77,659	
Scheme Returns (%)	37.81	37.66	
Nifty India Consumption TRI - Scheme Benchmark (₹)	66,908	79,086	
Nifty India Consumption TRI - Scheme Benchmark Returns (%)	46.82	45.47	
Nifty 50 TRI - Additional Benchmark (₹)	64,883	76,357	
Nifty 50 TRI - Additional Benchmark Returns (%)	31.89	30.75	

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

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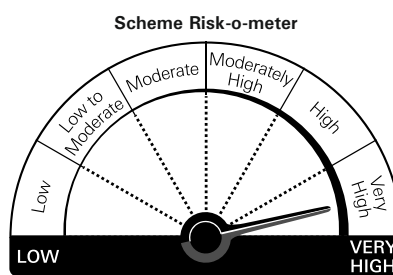
HSBC Consumption Fund

Consumption Fund - An open ended equity scheme following consumption scheme.

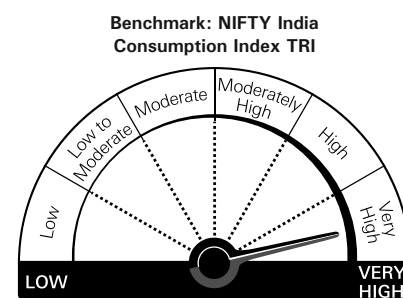
This product is suitable for investors who are seeking*:

- To create wealth over long-term
- Investment predominantly in equity and equity related securities of companies engaged in or expected to benefit from Consumption and consumption related activities

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



Investors understand that their principal will be at Very High risk



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.