

A capable
engine...



HSBC Infrastructure Fund

...for the growth
of your portfolio

Why Infrastructure?

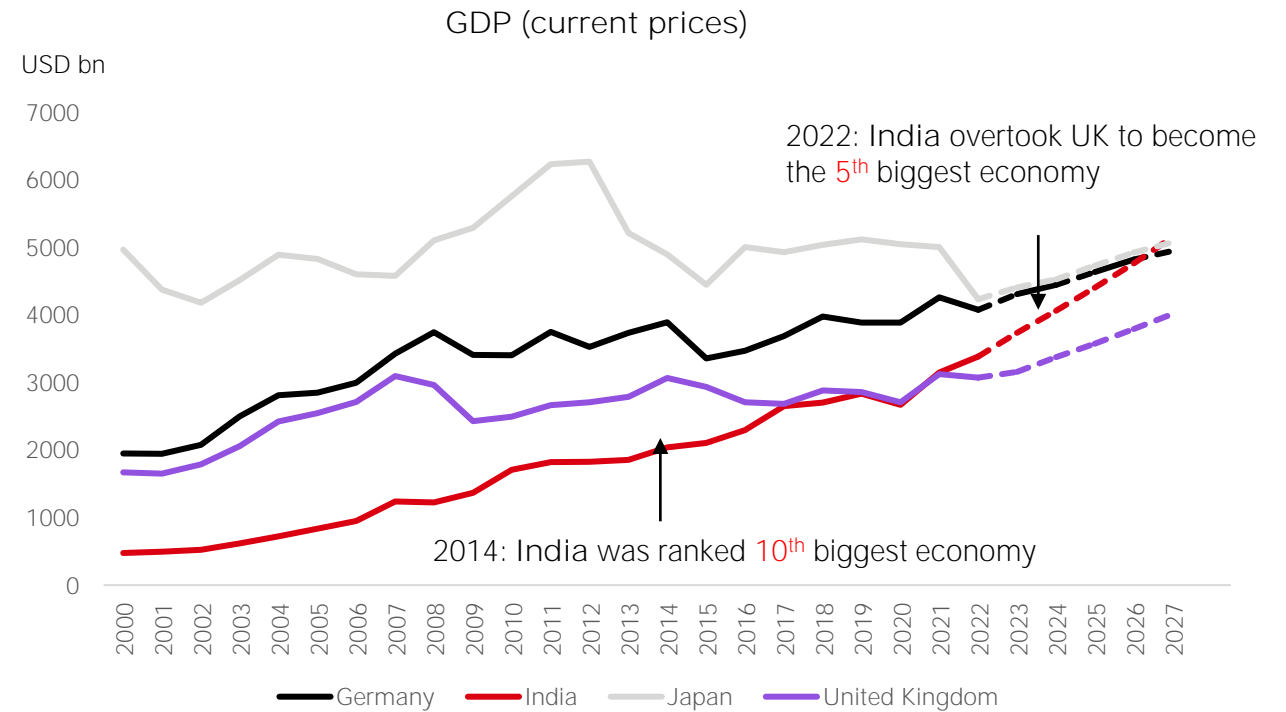
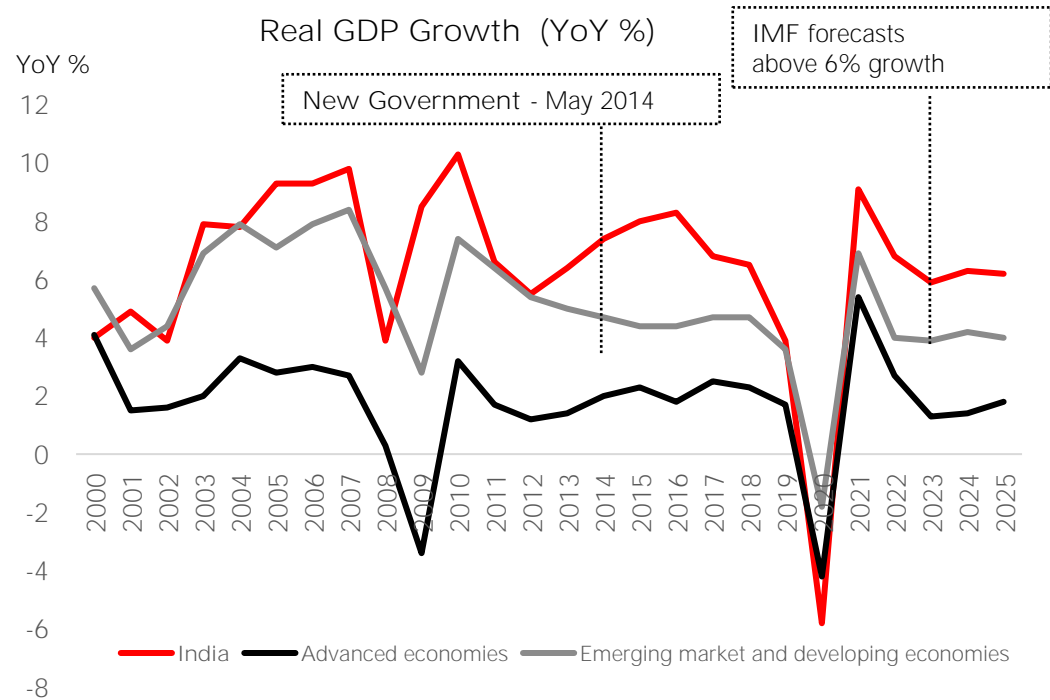


India GDP Growth – Higher for longer

- ◆ India on path to become the 3rd largest economy by 2027
- ◆ India's GDP growth may be expected to stay above 6% for 2023-2025, ahead of other developed and emerging economy peers

India GDP (constant prices, national currency in billions)

| Year period | 2000-2005 | 2005-2010 | 2010-2015 | 2015-2020 | 2020-2022 |
|-------------|-----------|-----------|-----------|-----------|-----------|
| CAGR | 6.77% | 8.31% | 6.77% | 3.78% | 7.93% |

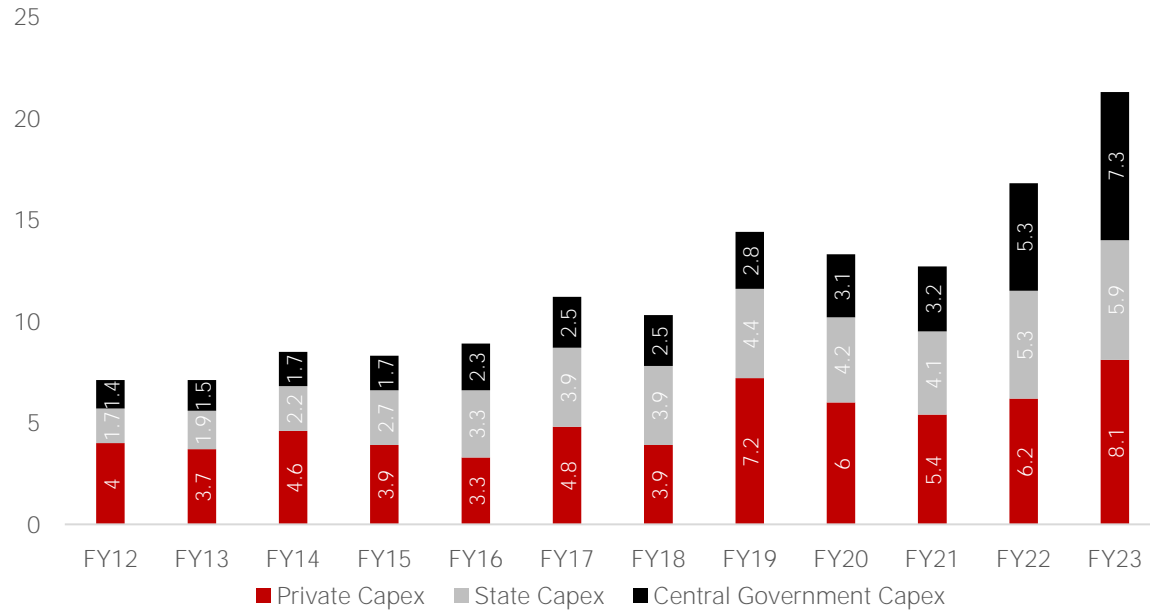


Source: Bloomberg

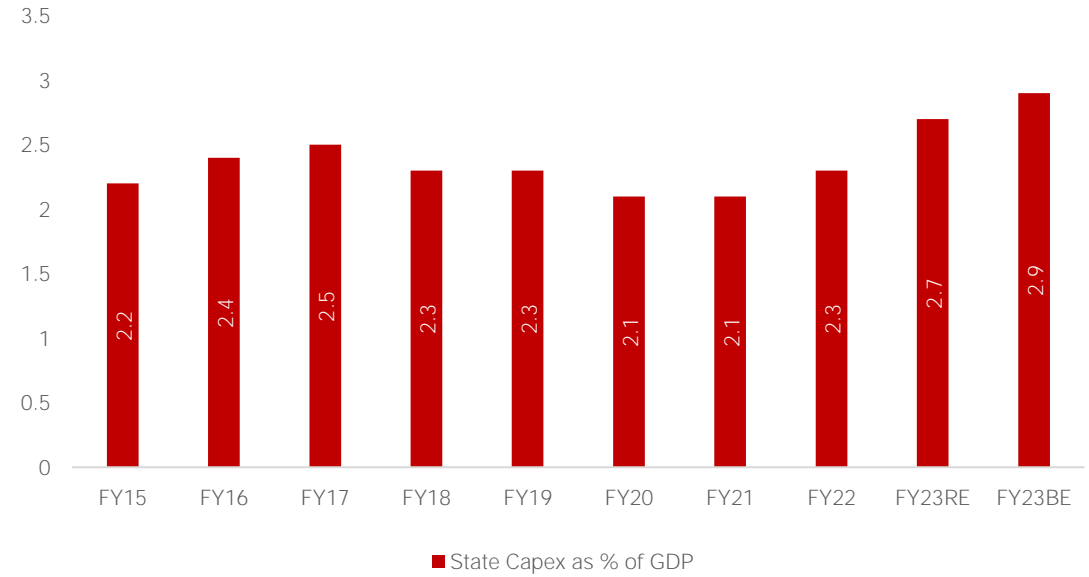
Growing government capex

- ◆ Capex has grown 3x in last 10 years.
- ◆ Government's capital expenditure as % of GDP is at multi year high

Government capex has been growing well while private capex is selective (INR t)

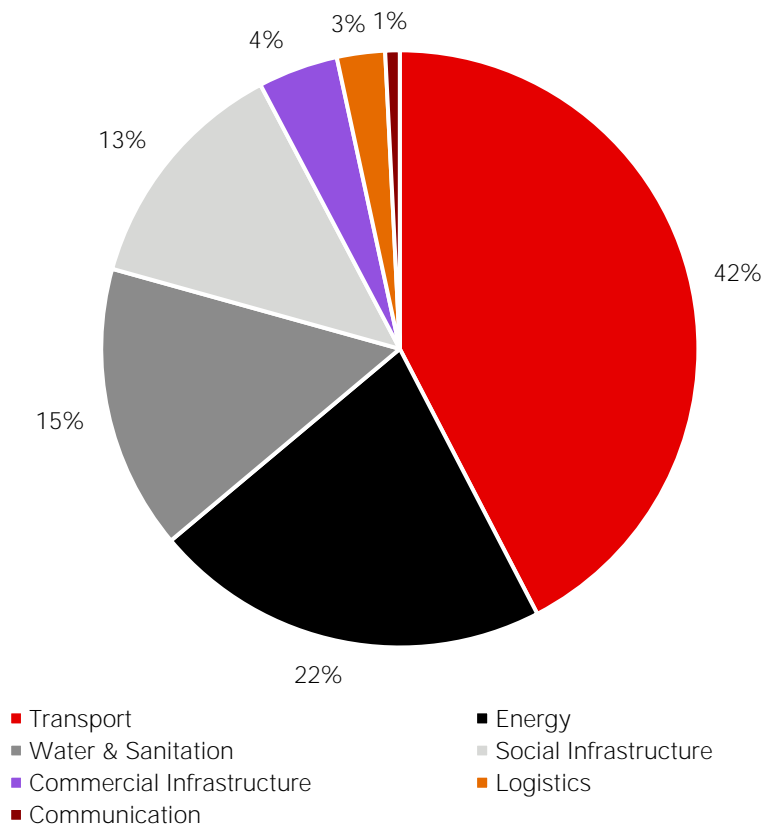


State Capex as % of GDP



Infrastructure remains a key focus area for the government

National Infrastructure Pipeline
(~Rs.100 Lakh Cr)



Railways

- Dedicated Freight Corridor
- Increase rail share in freight to 45%
- National Rail Plan
- 400 Vande Bharat trains over the next 3 years

Logistics

- National logistics policy for multi-modal transport
- Transition to organized to accelerating with GST and E-invoicing compliance

Power

- 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

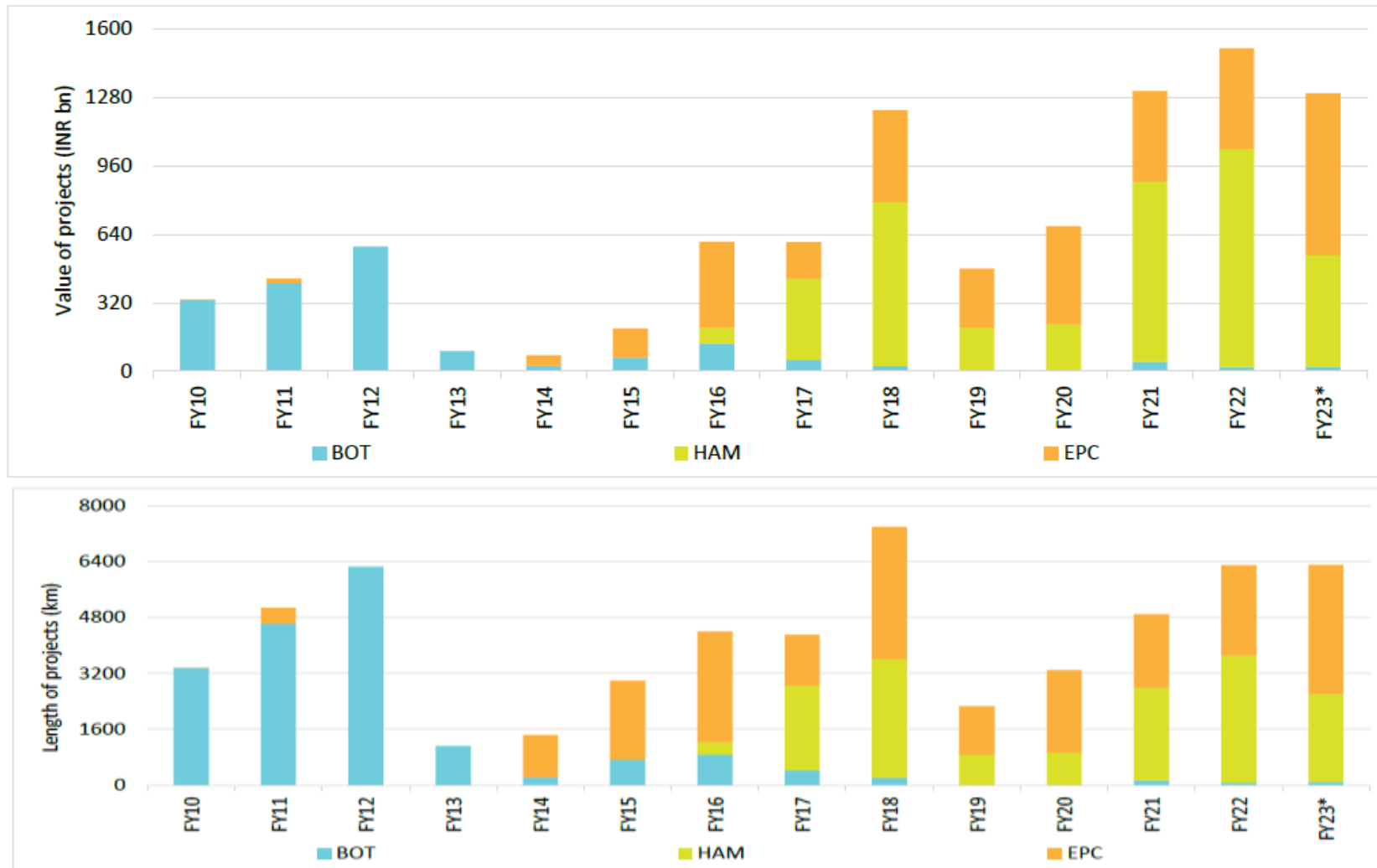
Urban Infra

- 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

Source: indiainvestmentgrid.gov.in

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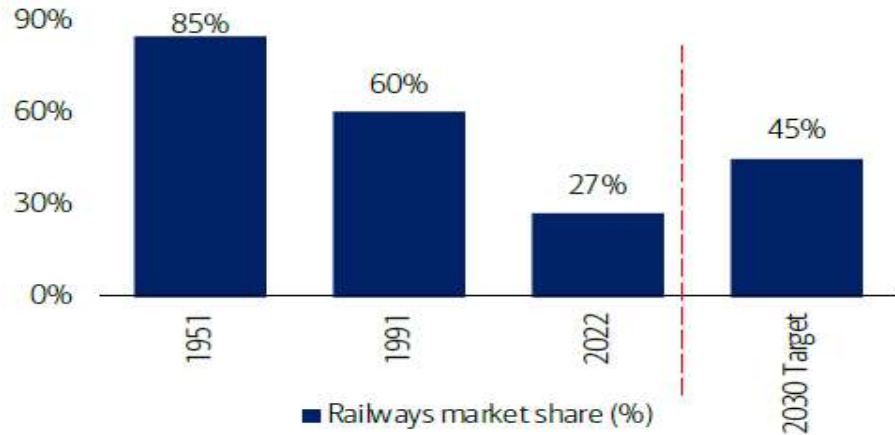
Infrastructure - Road development projects



Source: Bloomberg, EPC (engineering, procurement and construction model), BOT (build, operate, transfer model), HAM (Hybrid Annuity Model : EPC + BOT)

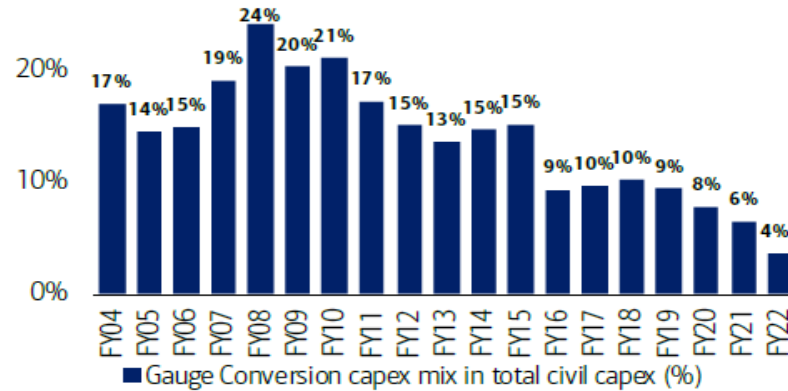
Railways Infrastructure – aiming to recover market share

Railways aiming to recover market share lost over last several decades, with target of 45% share by 2030 (vs 27% currently)



Source: BofA Global Research, Indian Railways

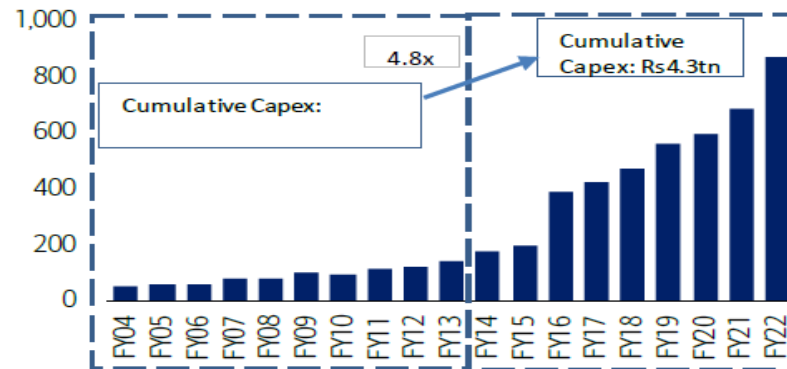
Even within civil capex, focus on new capacity addition is clear, with share of gauge conversion in civil capex mix now at a historical low



Source: BofA Global Research, Indian Railways

BofA GLOBAL RESEARCH

Capex towards track augmentation: is up -5x since FY14 vs the previous 10 years over FY04-13



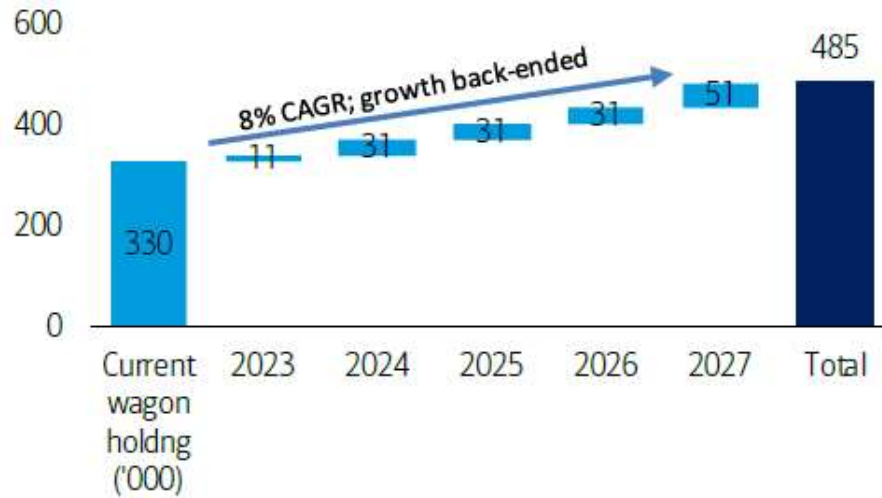
Source: BofA Global Research, Indian Railways

Source: Bloomberg, BofA

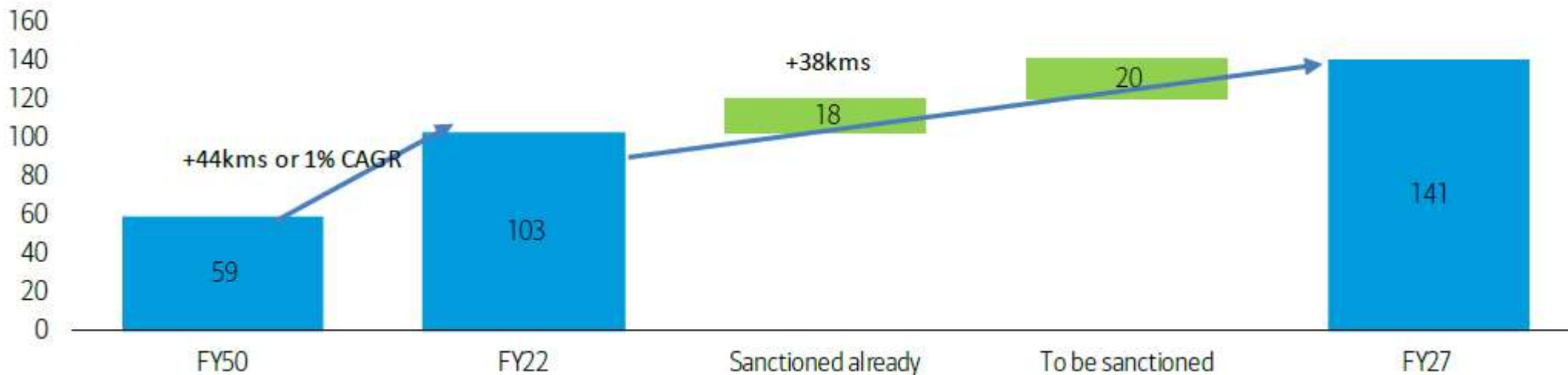
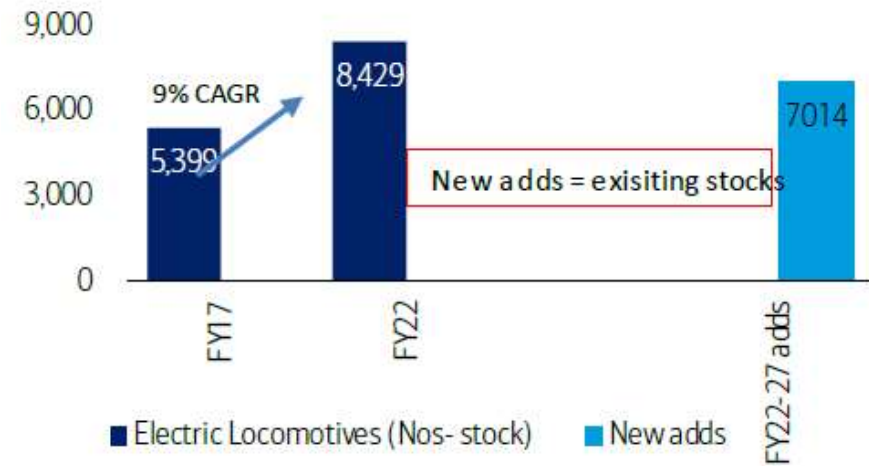
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Railways Infrastructure – major capex areas

On the mechanical front, IR plans to add wagons at 8% CAGR growth over FY22-27E (mostly back-ended)



Plans to nearly double existing electric locomotive stocks

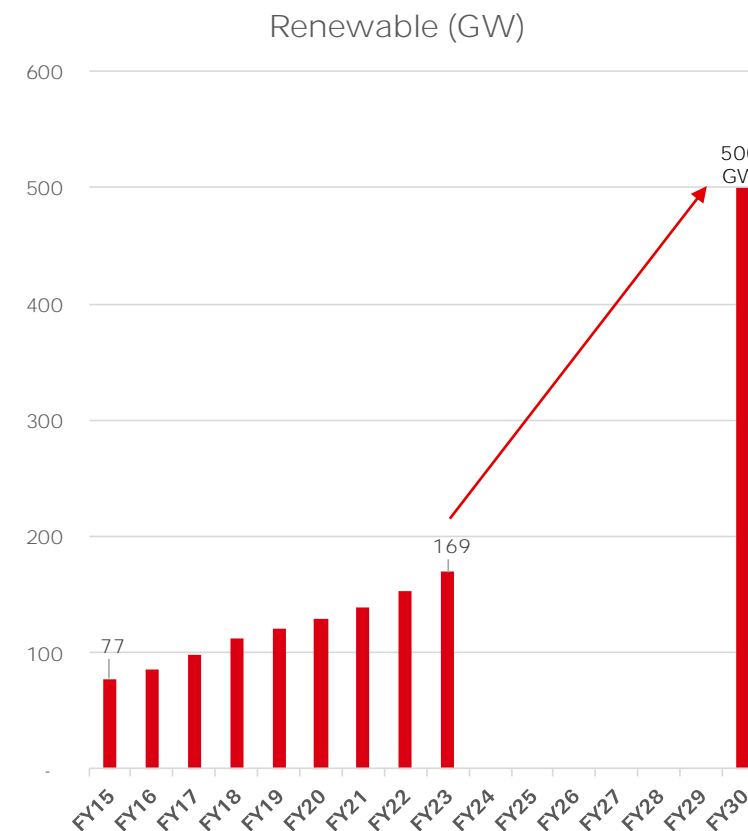


Energy generation and new energy

Building manufacturing capacity for Solar modules, batteries and electrolysers

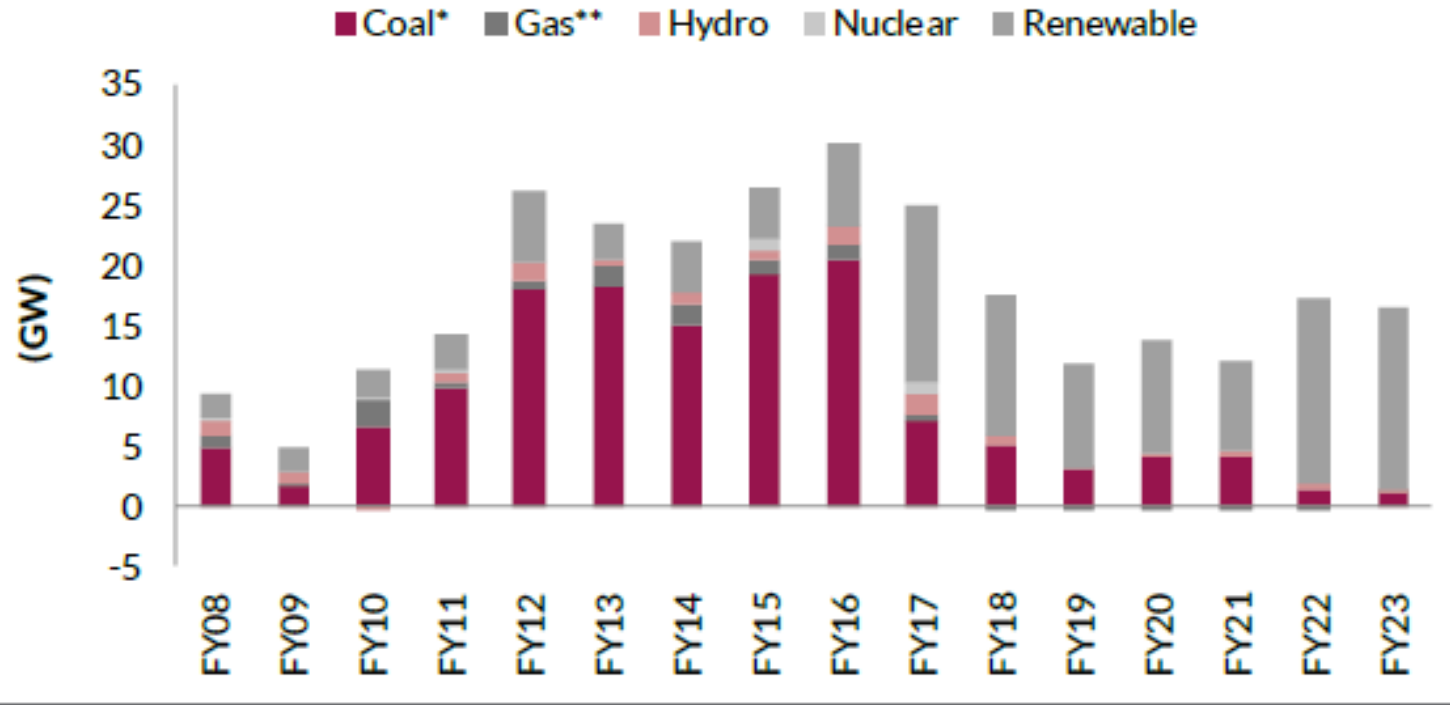
- Indian Government has set a target of Net Zero by 2070
- PLI allocation for Solar PV increased from 45bn to Rs. 240bn.
- 59 Solar parks of 40GW capacity have been approved
- PLI for advanced cell chemistry battery manufacturing of Rs 181bn.
- National Hydrogen Mission was launched to aid in making India a green hydrogen hub
- Target to produce 5MT of green hydrogen by 2030
- At least 50GW of Electrolyser capacity required.

| Project | Pipeline capacity | Investment required (INR bn) |
|-------------------------------|-----------------------|------------------------------|
| Utility scale RE | 97 GW | 1,610 |
| Distributed RE | 16 GW | 226 |
| Green Hydrogen & Electrolyser | 10 GW/Yr | 7,960 |
| Energy storage systems | 243 GWh | 878 |
| ACC battery manufacturing | 97 GWh/Yr | 874 |
| Compressed Biogas | 640+ TPD | 45 |
| Ethanol | 28,500 kilolitres/day | 361 |
| Solar module | 88 GW/yr | 1,240 |
| Solar cell | 68 GW/yr | |
| Wafer | 41 GW/yr | |
| Total | | 13,193 |



Energy generation - Capacity Addition

Starting FY17, renewable capacity addition has been higher than the rest of generation sources combined



Source: CEA, Axis Capital, *Includes lignite, **Includes diesel

Energy – T&D

| Sr no | Project name |
|-------|--|
| 1 | 800 kV Bhadla-III - Fatehpur HVDC line |
| 2 | 350 kV Pang - Kaithal HVDC line |
| 3 | 800 kV Barmer-II - Jabalpur HVDC line |
| 4 | 800 kV Khavda - Aurangabad HVDC line |

Source: CEA, MOFSL

As per the draft electricity plan floated by CEA an estimated expenditure of INR 4.76 trillion would be required (Transmission lines, Substations, and reactive compensation etc.) during the period 2022-27.

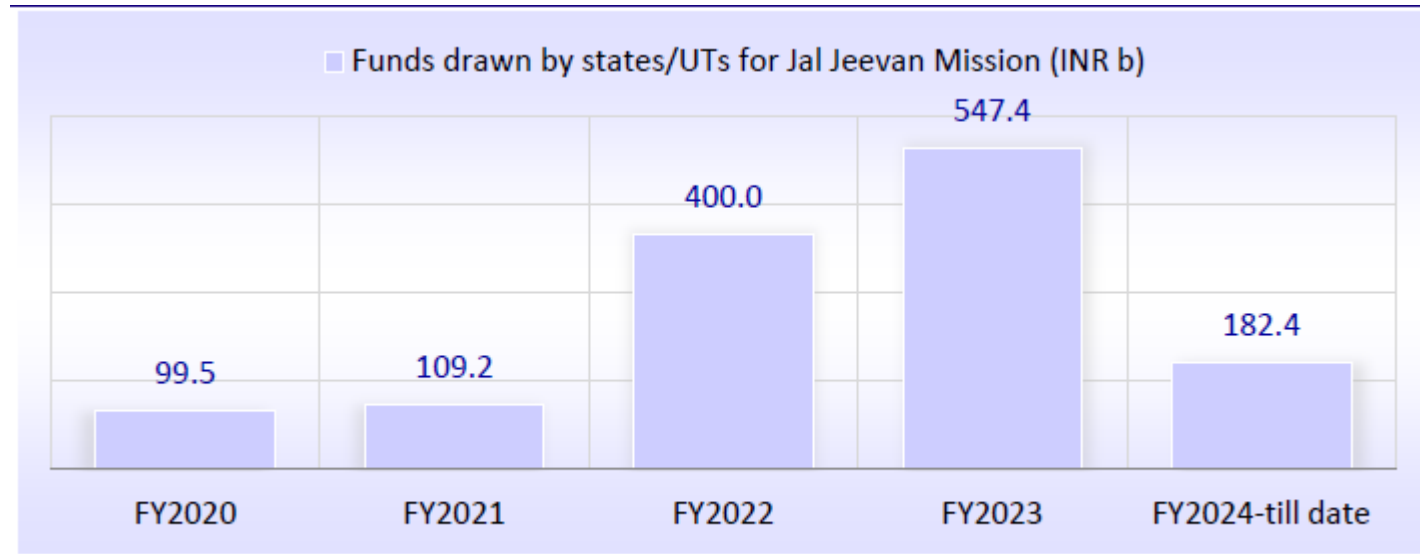
- Inter-state transmission capex: INR 3.13 trillion
- Intra-state transmission capex: INR1.61 trillion
- About 1,23,577 ckm of transmission lines and 7,10,940 MVA of transformation capacity in the substations (at 220 kV and above voltage levels) are required to be added during the period 2022-27.

India has already incurred 15% of total expenditure of 4.76 trillion so far in FY23 by Oct 23

Remaining INR 4 trillion need to be spend in the remaining 3.5 yrs (Nov 24-March 27) at annual run rate of INR 1.15 trn.

Water

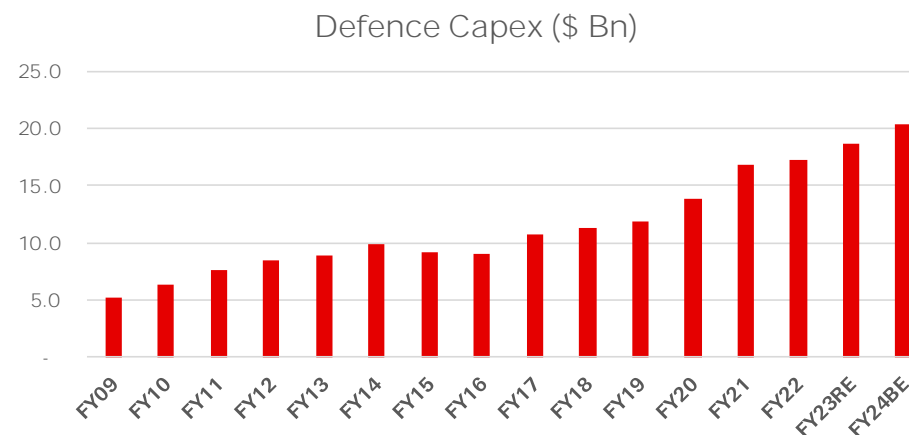
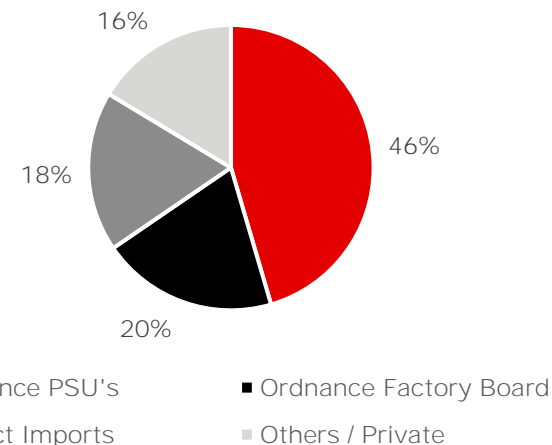
- Government launched Jal Jeevan Mission during FY20 at a total project cost of INR3.6t to provide tapped drinking water for all by FY24.
- An amount of ~INR1.4t has been spent over FY20-23.
- remaining amount is expected to be spent over the next 1-2 years.



Source: Budget documents, MOFSL

Defence - Indigenization and modernization should lead to private sector boost

- Imports of Defence equipment costed ~\$7 Bn through both direct and indirect means in FY22.
- Indigenisation should expand the opportunity for the Indian Defence companies and private sector participation and investment should increase
- Modernisation of the Defence capabilities along with the positive indigenization list opens up a pipeline of ~\$ 112 Bn over the next 8 years
- Exports of Defence equipment is going to be a medium to long term growth driver for the sector. Aircrafts, Missiles and Submarines form the major part of global trade which should increase going ahead.



Source: Budget documents, Avendus Spark

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Manufacturing – At the cusp of revival

- New Investment announcements have reached an all time high on a quarterly basis.
- Sectors like Transport, Chemicals, Metals have been the major contributors to the same
- The balance sheet strength have improved significantly for the corporate sector for the intentions to fructify
- Increased investment in roads and railways have led to emergence of ancillary industries in the construction equipment, locomotive manufacturing, allied sectors like motors etc.

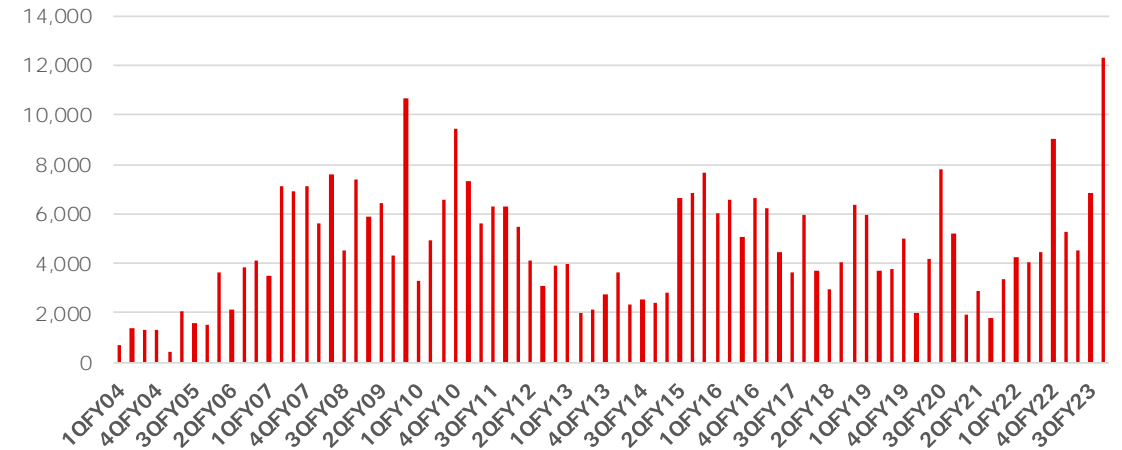
| Core Sector | FY04-06 | FY07-FY09 | FY10-12 | FY13-15 | FY16-18 | FY19-21 | FY22-24E |
|----------------|---------|-----------|---------|---------|---------|---------|----------|
| Cement (mt) | 16 | 51 | 131 | 74 | 56 | 43 | 90 |
| Steel (mt) | 6 | 15 | 24 | 19 | 28 | 6 | 25 |
| Power (MW) | | | | | | | |
| Thermal | 11 | 13 | 38 | 57 | 34 | 12 | 20 |
| Non-Thermal | 3 | 11 | 14 | 10 | 39 | 30 | 49 |
| Refining (mmt) | 5 | 46 | 35 | 2 | 33 | 2 | 23 |

Source: NHAI, Aventus Spark

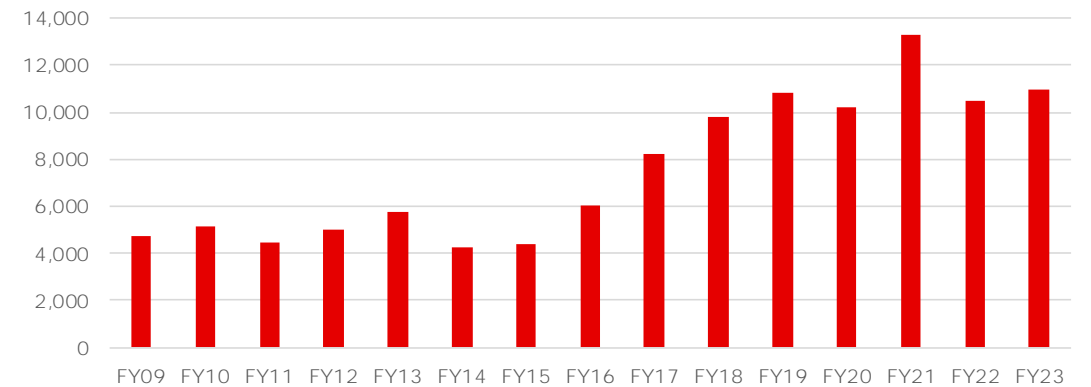
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New Investment Intentions (Rs. Bn)



Road Constructed (KM)



Manufacturing – New drivers emerging for growth

PLI to support themes like Localization and New energy

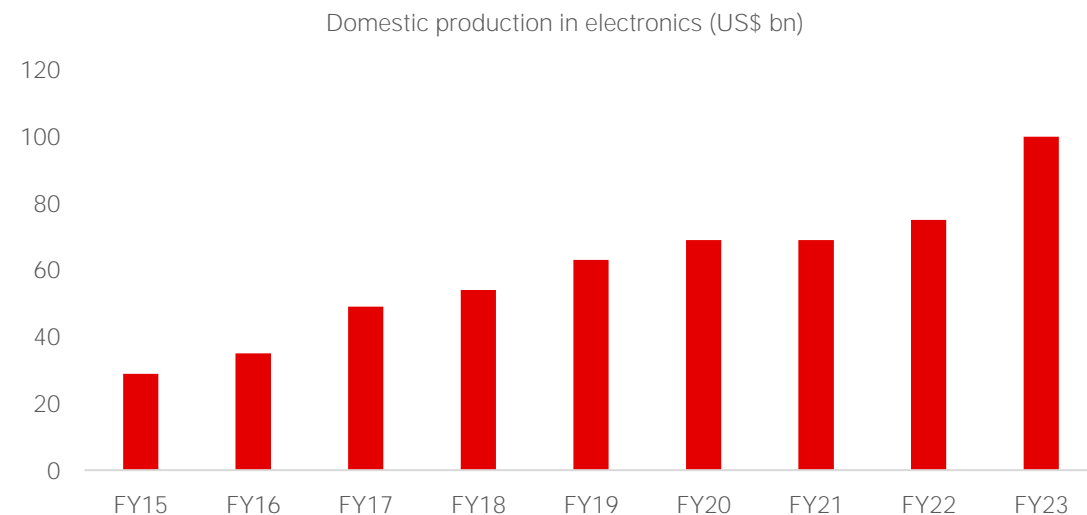
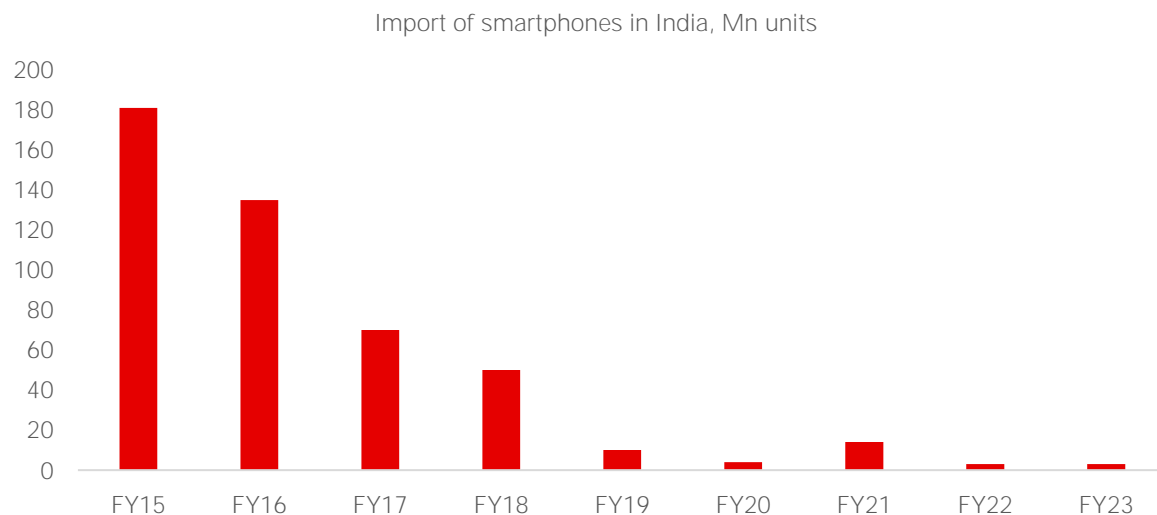
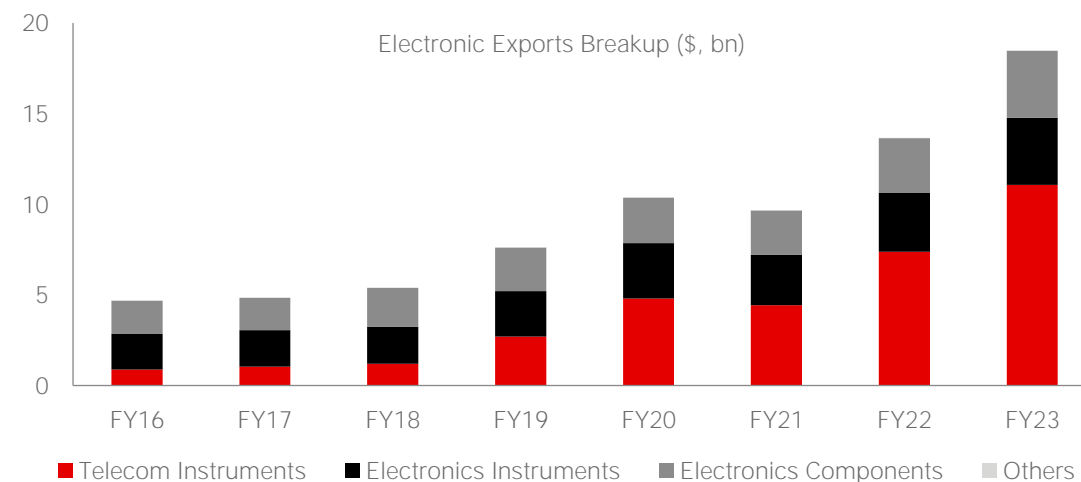
| Income growth | Infra spending | Localization | New Energy | Defence |
|---|--|--|---|---|
| <ul style="list-style-type: none">• Consumption• Urbanization• Housing demand | <ul style="list-style-type: none">• Railways• Power• Roads• Urban Infra• Gas Infra | <ul style="list-style-type: none">• China + 1• Electronics• EVs• Advanced technologies• Semiconductors | <ul style="list-style-type: none">• Solar PV Modules• Batteries• Hydrogen | <ul style="list-style-type: none">• Share of local procurement to increase• Private sector participation |

Source: HSBC Mutual Fund

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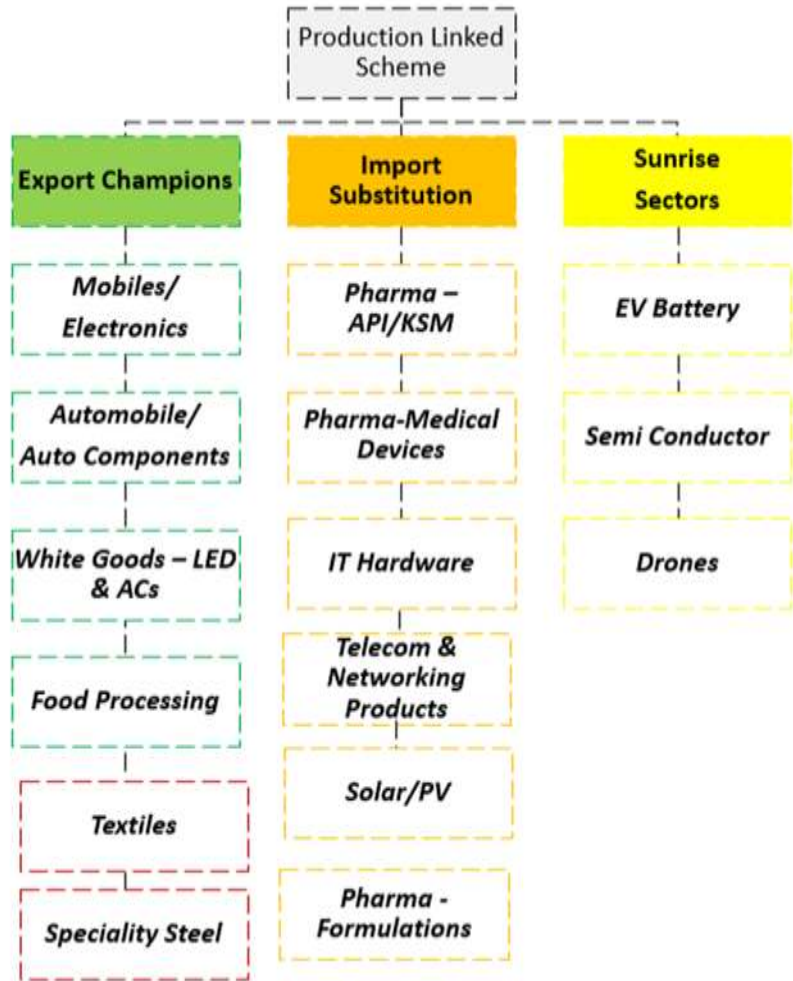
Electronics manufacturing can reach US\$ 300 bn over next 5 years

- PLI has been a significant boost for electronics manufacturing in India
- India's reliance on mobile devices imports has reduced substantially from 92% in 2014 to 3% in 2022.
- Electronics exports have become 3.5x over last 7 years
- Domestic electronics manufacturing sector has grown at 17% CAGR over FY15-23
- Expected to accelerate and grow at 30% CAGR from US\$100bn in FY23 to US\$ 300bn by FY27E.
- A large part of the growth acceleration will be led by PLI scheme incentives and other govt. initiatives.

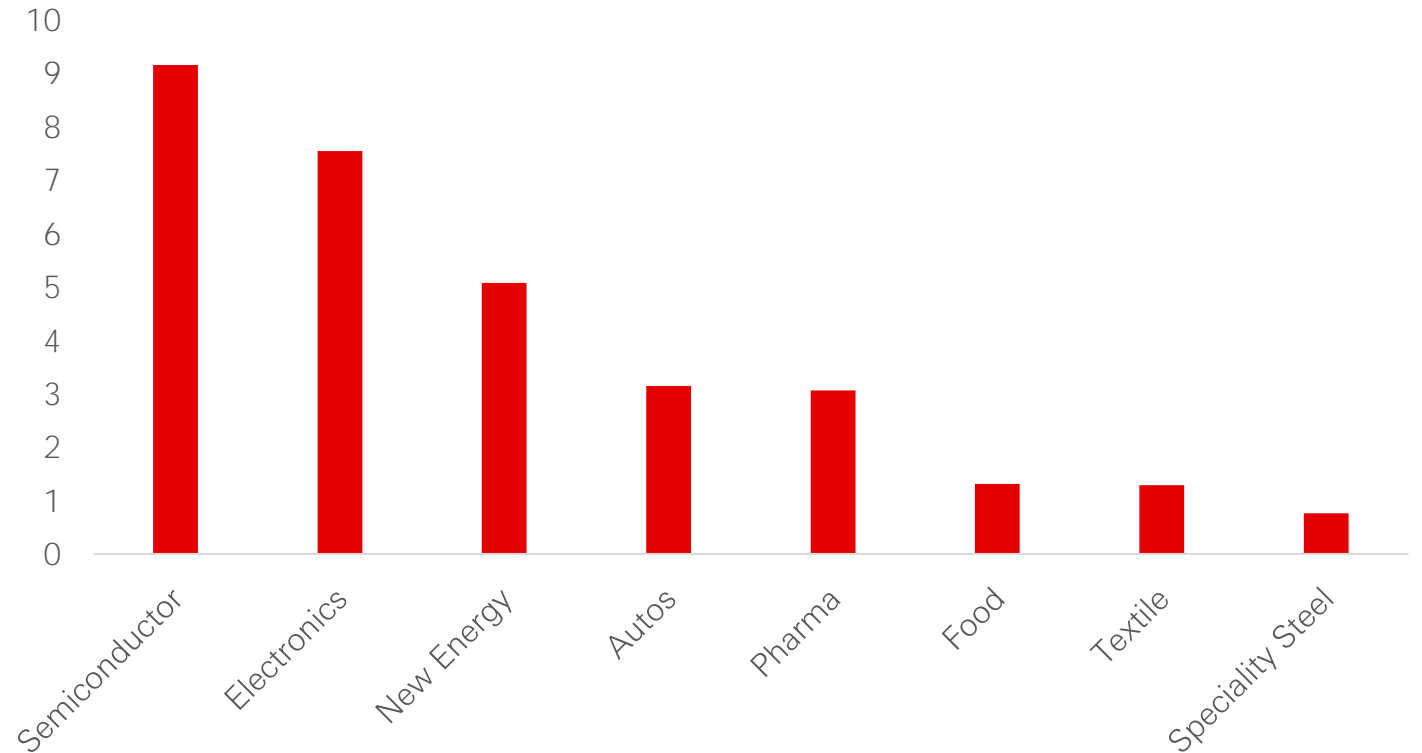


Boosting exports and improving domestic capabilities

Incentives of USD 32.5 bn for next 5 years

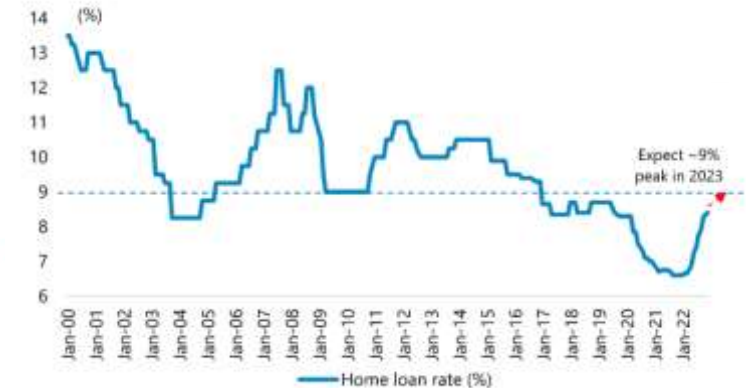
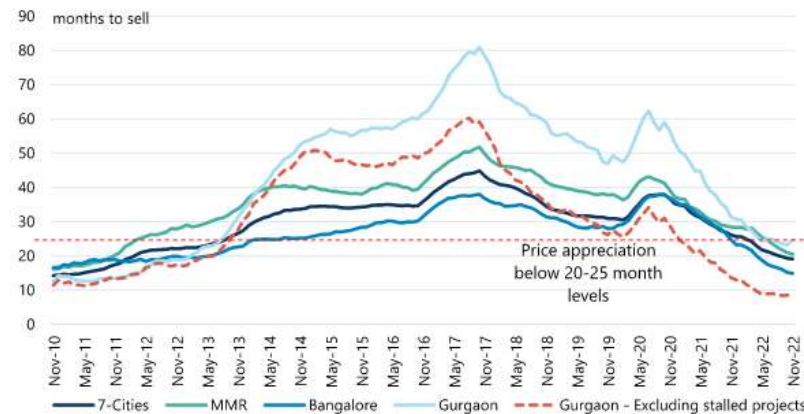
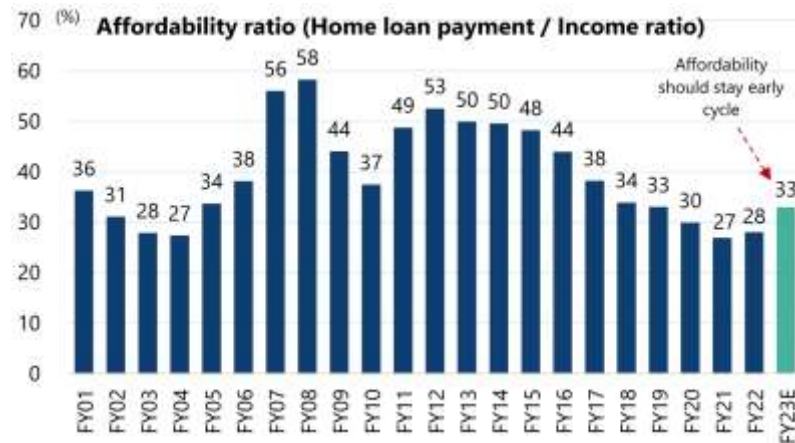
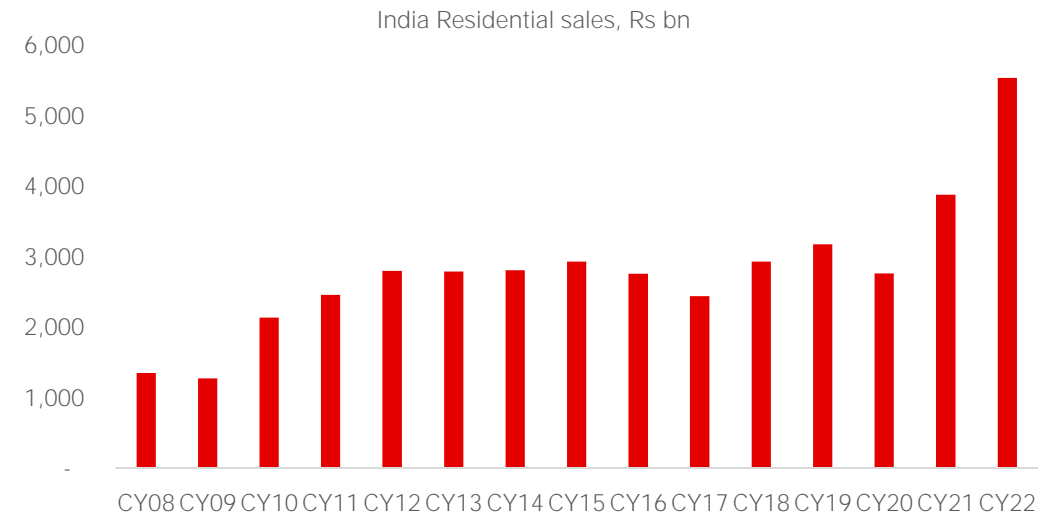


PLI incentive allocation in USD bn



Real Estate - Fundamentals in place for a strong recovery

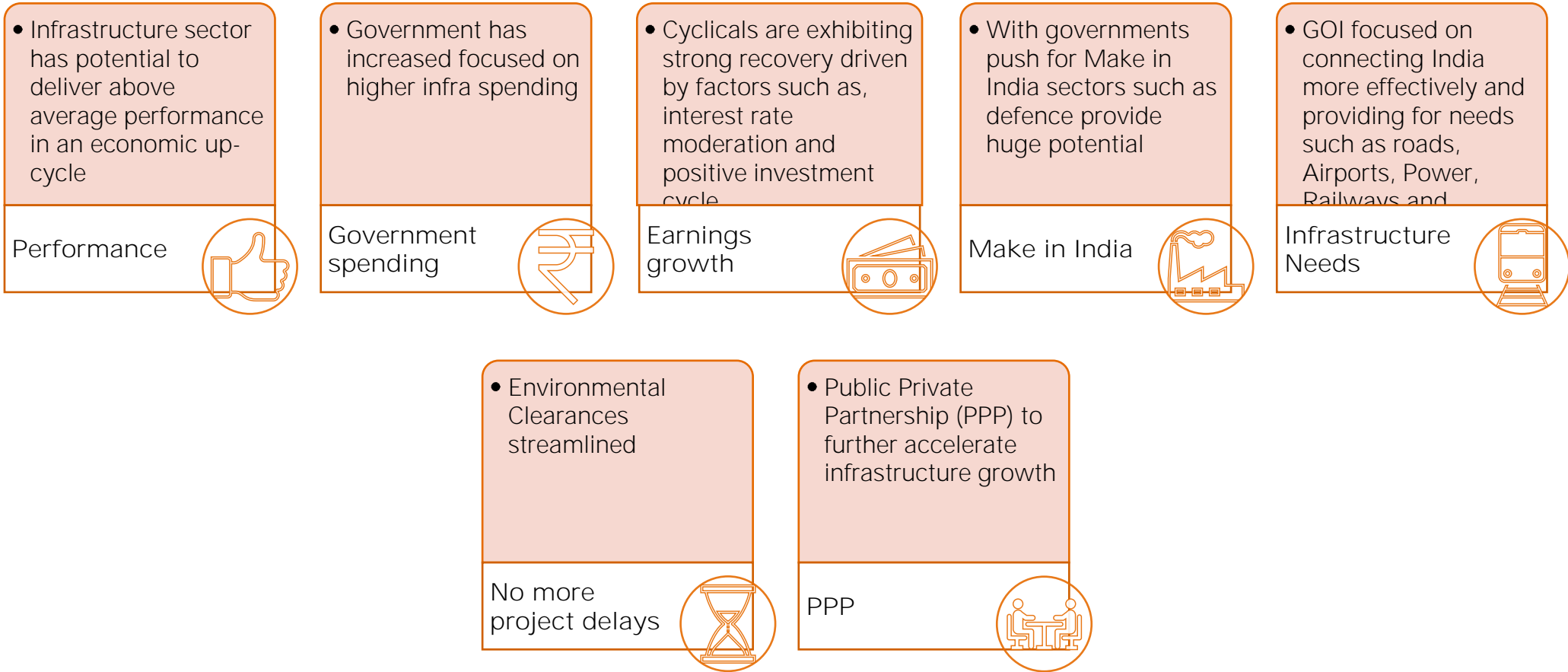
- Home Affordability improved to FY04 levels in FY23
- Housing sales have outpaced launches over the last 5 years
- Residential inventory trending down since peak in 2017
- Despite recent spike, interest rates below long-term average
- Key tailwinds: Affordability, Urbanization, rising urban population & higher financing penetration



Source: HDFC, PropEquity, State Bank of India

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Case for Infrastructure Fund

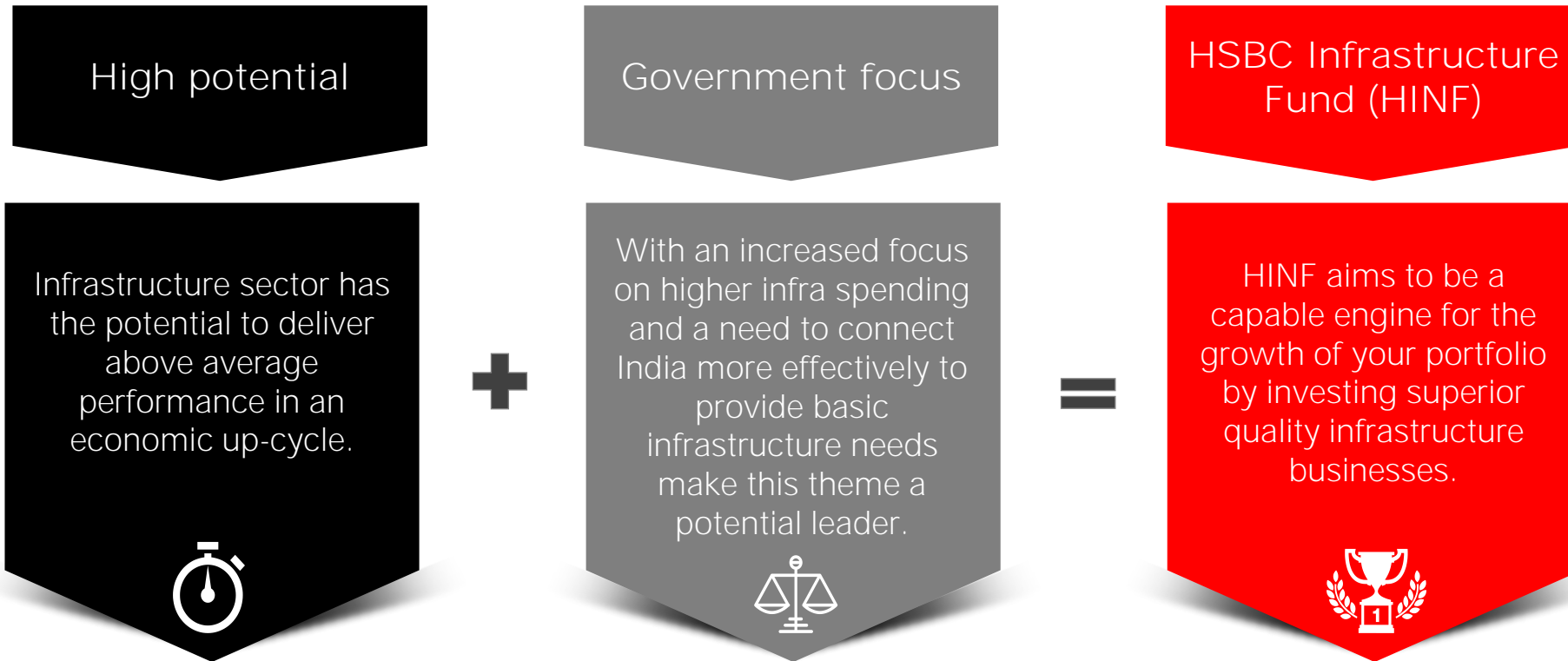


A capable engine for the growth of your portfolio

Source: HSBC Mutual Fund

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HSBC Infrastructure Fund



Aims to be a capable engine for the growth of your portfolio

Why HSBC Infrastructure Fund

Why Invest?

- To create wealth over a long-term from the infrastructure growth in India
- A top down and bottom up approach will be used to invest in equity and equity related instruments
- Aim to create a corpus through generating inflation-adjusted returns to cater to long-term goals

Portfolio Positioning

- HINF is a thematic fund which primarily invest in Infrastructure companies.
- It's a flexi-cap strategy with a flexibility to invest across the market capitalization spectrum.
- Fund mostly follows bottom-up approach for stock selection.

Investment Philosophy

- Follows a comprehensive equity investment philosophy which takes into account profitability of the companies in addition to their respective valuations and cash flow generation capability
- Invests in themes that play an important role in and/or benefit from India's infrastructure development
- In a standard investment environment, aim to invest at least 90% of the funds in the infrastructure sector

Long term opportunities from the early stages of a long drawn infrastructure investment cycle in India

HSBC Infrastructure Fund

| Fund Category | Fund Manager | Benchmark ¹ | Inception Date | AUM ^{&} |
|---------------|--|--------------------------|----------------|----------------------|
| Thematic Fund | Venugopal Manghat and Gautam Bhupal and Sonal Gupta [#] | NIFTY Infrastructure TRI | 27 Sep 2007 | Rs. 2202.23 Cr |

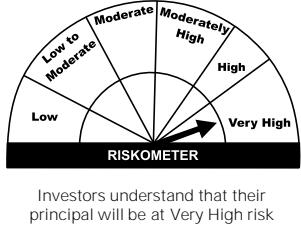

| Portfolio | % to net assets |
|---------------------------------------|-----------------|
| Larsen & Toubro Limited | 8.85% |
| NTPC Limited | 7.76% |
| Bharat Electronics Limited | 6.62% |
| Reliance Industries Limited | 4.12% |
| UltraTech Cement Limited | 4.10% |
| Bharti Airtel Limited | 3.73% |
| Finolex Cables Limited | 3.06% |
| Brigade Enterprises Limited | 2.77% |
| Century Textiles & Industries Limited | 2.58% |
| ABB India Limited | 2.52% |

| Sector - Allocation | % to net assets |
|--------------------------|-----------------|
| Industrial Products | 19.12% |
| Construction | 18.19% |
| Cement & Cement Products | 8.31% |
| Power | 7.76% |
| Electrical Equipment | 7.54% |
| Aerospace & Defense | 6.87% |
| Realty | 4.76% |
| Petroleum Products | 4.12% |
| Telecom - Services | 3.73% |
| Transport Services | 3.37% |

HSBC Infrastructure Fund may help to provide long term investment opportunities

¹ 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. [&]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 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 January 2024.

HSBC Infrastructure Fund

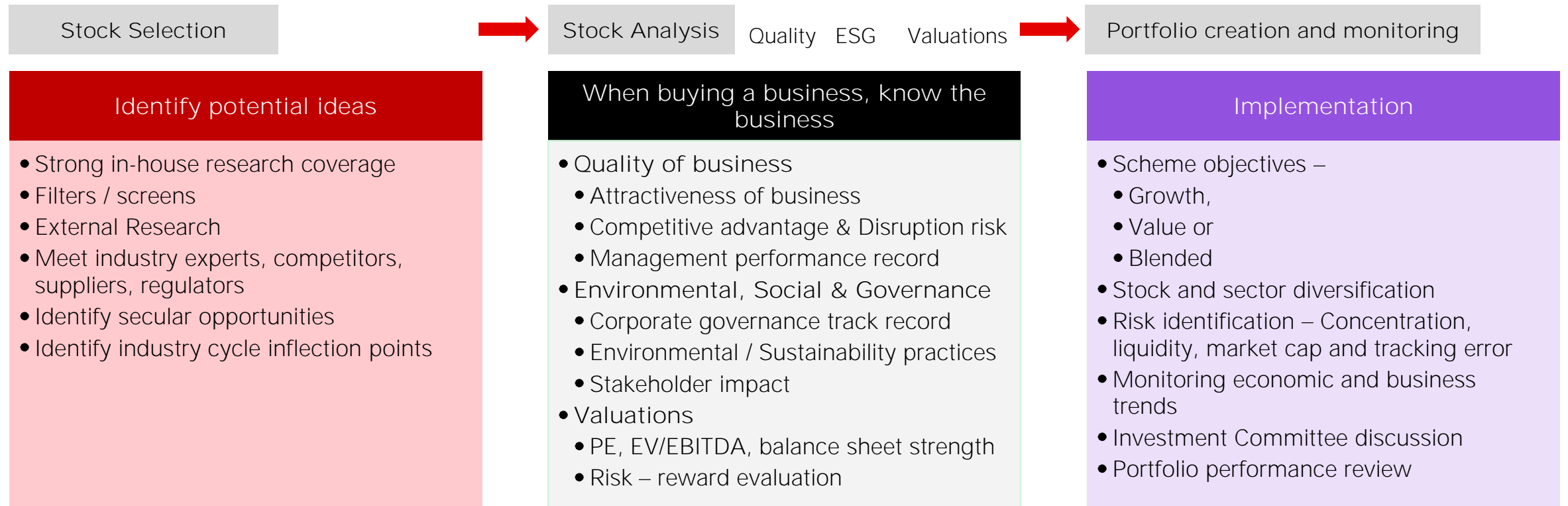
| Scheme name and Type of scheme | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---|---|---|
| <p>HSBC Infrastructure Fund An open-ended equity Scheme following Infrastructure theme.</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • To create wealth over long term • Investment in equity and equity related securities, primarily in themes that play an important role in India's economic development. |  | <p>Benchmark Index : Nifty Infrastructure</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 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

Equity - Investment Process

Power of SAPM - Equity investment process comprises three stages



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