

Fund Update

HSBC Aggressive Hybrid Fund (HAHF) (Formerly known as L&T Hybrid Equity Fund)

Aggressive Hybrid fund – An open ended hybrid scheme investing predominantly in equity and equity related instruments. (HSBC Equity Hybrid Fund has merged into L&T Hybrid Equity Fund and the surviving scheme has been renamed)

March 2023

Fund Category	Fund Manager	Benchmark ¹	Inception Date	AUM
Aggressive Hybrid Fund	Cheenu Gupta and Shriram Ramanathan	Nifty 50 Hybrid Composite Debt 65:35 Index	7 Feb 2011	Rs. 4636 Cr

How the fund has been shaped?

The fund has been aligned with a growth-oriented focus.

Focus on long term compounders - **Focus on companies doing right things consistently** – find good companies which are investing for long term and can be winners in long term

Buy

- Focus on higher alpha generation through higher active share
- New ideas are evaluated based on macro, sector and company specific parameters

Sell

- Higher sell discipline
- If the underlying investment thesis for which the stock was bought has changed, the stock is reviewed and accordingly acted on.

Risk Management

- Adding more liquidity to the portfolio by reducing weights in illiquid names
- Higher sector overweight but reduced concentration through more number of stocks in a sector

Types of companies we have included in portfolio:

- 1) Good corporate governance
- 2) Differentiated business models – which can have higher and / or longer growth trajectory – technology, ESG etc.
- 3) Efficient in execution
- 4) Benefitting from tailwinds- cyclical / regulatory
- 5) Better return profile – RoCE / RoE

¹ SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/ CIR/2021/652 dated October 27, 2021, 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. Furthermore, the same is effective from 01 December 2021
Data as on 28 Feb 2023 unless otherwise given

The fund has undergone merger/consolidation along with changes to its fundamental attributes as per the notice published on 15 Oct '22. For more details visit our website page - <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/acquisition-of-lt-mutual-fund>.

Construct of the portfolio:

Category	Potentially Stable / Leaders	High growth / challengers	Themes / turnarounds
Range	20-25%	50-60%	20-25%
Characteristics	Good consistent track record, cash generating businesses, demonstrated better return ratios across various cycles	Good execution, gaining mkt share, better products / operating metrics, agile managements	Turnarounds – cyclical, change in management Themes – Diagnostics, Import substitution / Manufacturing (Chemicals / Auto ancillaries), Digital, Fintech
Role in portfolio	Aims to Lends stability to portfolio	Key driver for portfolio	Helps in looking out for new ideas
Stock weights	Usually E/W to slight U/W	Prefer higher O/W	Bets – limited weights
Risk	Low risk	Moderate risk	Relatively higher risk

E/W – Equal Weight, O/W – Overweight, U/W – Underweight

Challenges overcome in the journey:

- Markets have been extremely volatile in last 9 months. Changing portfolio in volatile markets was challenging, especially for illiquid stocks. The exercise was time consuming for the fund
- As can be seen from the portfolio construct of the fund, about 25% is with potential of being stable or consistent performers - usually the sector leaders, 25% is turnarounds or trends backed by macro tailwinds and the remaining 50% is with growth potential. So the core of the fund is high growth companies who are benefiting not only from their sector growth but also from gain in market share in their respective sectors – either because of better products, technology edge or better on-ground execution.

In the volatility which beset markets in last 9 months, growth got heavily penalized - this led to some setback for the funds. However, we did believe that this was temporary. Once markets normalize, companies with better growth outlook and relatively superior execution tend to outperform. This has also been the case with the recent market rebound.

- As the fund has been constructed with a longer term horizon, we expect outperformance to build gradually over a period of time once the market stabilizes.

Investment Objective

To seek long term capital growth and income through investments in equity and equity related securities and fixed income instruments. However, there is no assurance that the investment objective of the Scheme will be achieved.



Fund Philosophy

- Invests 65-75% in equity and equity related securities and 25-35% in debt and money market securities
- Focus on investing in fundamentally strong businesses at a valuation level that offers adequate margin of safety
- Bottom-up stock selection using our proprietary investment approach
- Flexible equity investment approach to help capitalize on opportunities across the market spectrum
- For fixed income allocation, focus is on maintaining high credit quality portfolio
- Strong risk management framework - a well-diversified portfolio with focus on managing portfolio risks

Why HSBC Aggressive Hybrid Fund?

- To benefit from both asset classes of equity and fixed income for an optimal asset-allocation portfolio
- Aim to seek a balance between long term growth and stability from an actively managed portfolio of equity and equity related securities and fixed income instruments
- Maintains a minimum of 65% allocation to equity and equity related securities and at least 25% allocation to fixed income securities including money market instruments
- To create a corpus through generating inflation-adjusted returns to cater to long-term goals

Product Label

HSBC Aggressive Hybrid Fund (Erstwhile L&T Hybrid Equity Fund)		
 <p>Investors understand that their principal will be at Very High risk</p>	<p>Aggressive Hybrid Fund - An open ended hybrid scheme investing predominantly in equity and equity related instruments..</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term wealth creation and income • Investment in equity and equity related securities and fixed income instruments. <p>(Benchmark : : Nifty 50Hybrid composite debt 65:35 Index)</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 28 Feb 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

Past performance may or may not be sustained in the future. Source: HSBC Asset Management India, data as at 28 Feb 2023

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