

Invest in the sector, that drives every other sector in India.

Fund Update HSBC Financial Services Fund

(An open-ended equity scheme investing in financial services sector)

Source of map: www.surveyofindia.gov.in

Map of India is used for illustrative purpose only and is not a political map of India.

Note: The above information is for illustrative purposes only. The sector(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. Please refer Scheme Information Document (SID) for more details.



Fund Category	Fund Manager	Benchmark ¹	Inception Date*	AUM ^{&}
Sectoral Fund	Gautam Bhupal, Harsh Shah, Sonal Gupta	BSE Financial Services Index TRI	27 Feb 2025	Rs. 621.82 Cr

Financial Services Sector Outlook:

Overall financial services sector is poised for healthy growth over medium to long term on the back of favorable regulatory environment, policy support, digital innovation, rising credit demand and benign asset quality stress. Financial Services sector also offers one of the most diversified offerings with private banks, public banks, small finance banks, lending NBFCs, Asset managers, life insurers, general insurers, exchanges, fintechs, etc. under one umbrella.

Banks:

- With the recent repo rate cut and more importantly, 100bps cut in Cash Reserve Ratio (CRR), banks are well positioned to report healthy balance sheet growth for near to medium term.
- The CRR cut, which would release INR 2.5trn into the system and may positively impact NIM/RoA.
- With banks reporting the best asset quality performance in over two decades, remain positive on banks where there is visibility of healthy balance sheet growth along with stable asset quality.

Lending NBFC:

- Few sub-segments of Lending NBFCs still provide visible growth outlook along with asset quality stability.
- Improved liquidity among banks post CRR cut may lead to faster repricing and may also drive an increase in bank borrowings to NBFC.
- At the same time, RBI's change of stance from Accommodative to Neutral could imply that NBFC bond yields have likely bottomed out with limited scope of further softening in NCD yields in the near term.

* Since inception - 27 Feb 25

¹ As per clause 1.9 of the SEBI Master Circular dated June 27, 2024, 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.

⁴For 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>.

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Source – Bloomberg, HSBC Mutual Fund, Data as of 30 Jun 2025.

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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- With Asset Quality pressure being very benign (Barring Micro Finance Institutions), NBFCs are well positioned to capture growth over the medium to long-term.
- Prefer diversified NBFC companies including Housing Finance companies, Large Vehicle Finance companies in the space, multi-product NBFC companies, etc.

Capital market

- Financialization of savings is a medium-term theme, which is ongoing, and continue to play in India over the next several years.
- Capital Markets companies will be one of the biggest beneficiaries of this theme. Within Capital Markets, Asset Management Companies, Exchanges and select Stockbrokers and Intermediaries have positive outlook.
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Life Insurance

- Private Life insurer has reported healthy double digit Annual Premium Equivalent (APE) growth for FY25. Public Life insurer, though APE growth has been slower, but Value of New Business (VNB) growth has been healthy.
- For the medium term, Life insurers will continue to witness healthy APE growth along with VNB margin expansion on the back of:
 1. Growth recovery in non-linked products;
 2. Rationalized commission structure post new regulations and
 3. ULIP growth on the back of higher sum assured and rider attachments. We remain positive on the sector.

Non-Life Insurance

The non-life industry is going through a rough patch. Industry Gross Direct Premium Income (GDPI) growth moderated to 6% YoY in FY25 vs ~12.5% YoY growth in FY24. Moderation in growth can be attributed to following factors as such muted growth in underlying assets (i.e. auto sales), frequent price hikes in retail health is impacting demand and change in accounting policies. The non-life insurance landscape is continuously evolving, with the regulator's continued focus on fostering a conducive regulatory environment that protects interests of the policyholders and encourages innovation, competition, and sustainable growth in the insurance industry. All these regulatory reforms are poised to propel the Indian insurance industry towards greater efficiency and effectiveness leading towards the vision of 'Insurance for All by 2047'.

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Fund philosophy & Approach

- HSBC Financial Servies Fund’s focus remains on leveraging India’s wealth effect. Financial sector is expected to grow at a significantly higher pace than GDP growth and it remains a key pillar for India to achieve its Viksit Bharat ambition 2047.
- At the same time, share of financial assets within the overall Indian Household Asset has been increasing.

Our portfolio has a strategic mix between lending financial companies and non-lending financial services companies. In our fund, lending financials remain a core part of our portfolio wherein fund focuses on companies where there is stability, strengthened balance sheet and strengthened regulatory framework. In non-lending financial services companies such as Capital Market, Mutual Funds, Insurance, Wealth Management, Depositories, etc., focus remains on companies which has high growth potential, market expansion and high ROE.

The fund may not follow benchmark hugging strategy to create a differentiated portfolio which may have potential for growth. Fund also aims to have higher weightage to Mid-Small Cap segment compared to benchmark.

Portfolio concentration



Portfolio stock weight (%)	Top 3 stocks weight%	Top 5 stocks weight%	Top 10 stocks weight%
HSBC Financial Services Fund	21.05	30.93	52.17

Portfolio and Industry update

Portfolio	% to net assets	Industry - Allocation	% to net assets
HDFC Bank Limited	7.59%	Banks	34.62%
ICICI Bank Limited	6.88%	Capital Markets	24.67%
Nippon Life India Asset Management Limited	6.59%	Finance	21.34%
State Bank of India	5.08%	Net Current Assets	8.22%
Multi Commodity Exchange of India Limited	4.80%	Financial Technology (Fintech)	4.09%
Shriram Finance Limited	4.62%	Insurance	2.95%
Axis Bank Limited	4.41%	Reverse Repos/TREPS	2.55%
PB Fintech Limited	4.09%	Commercial Services & Supplies	1.58%
Kotak Mahindra Bank Limited	4.07%		
Kfin Technologies Limited	4.05%		

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Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
<p>HSBC Financial Services Fund (An open-ended equity scheme investing in financial services sector)</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 predominantly in equity and equity related securities of companies engaged in financial services businesses	 <p>The risk of the scheme is Very High Risk</p>	<p>As per AMFI Tier I Benchmark i.e. Benchmark Index: BSE Financial Services TRI</p>  <p>The risk of the benchmark is 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 30 June 2025, 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 future and is not a guarantee of any future returns.

Source: HSBC Mutual Fund, Performance data as on 30 June 2025.

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