HSBC Mutual Fund

Add an ICE Edge to your portfolio!

[Infrastructure | Consumption | Export]

HSBC Mutual Fund

India is going through the new and remarkable 'ICE Age' i.e. Infrastructure, Consumption and Export sector boom. By 2030, India's Infrastructure spends are expected to be $ 1.7 trillion, which is twice the previous 7 years*. At the same time, 77 million households are expected to enter upper income category, and which is likely to push India's consumption*. And add to this India has aspiration to take its Export to $ 2 trillion*. This kind of unprecedented set up for these three themes is likely to help register strong growth over the years. So having this 'ICE Edge' on your side may help you gain access to potential opportunities over a long term.

Read more to understand potential opportunities that these sectors may provide:

Infrastructure

- Quantum leap in India's capex investments
- India will spend ~$1.72 tn on infra till 2030
- Infra spend will more than twice the previous seven years
- Roads, Power, Defense, Energy, Railways, Metro, Metals to see incremental demand
- Rising capital expenditure across Roads, Railways, Airports, Telecom, Power, Logistics

Consumption

- Trending Consumption themes in India
  - o Premiumisation
  - o Formalisation
  - o Penetration
  - o Digitisation, Financialisaion
- 34 mn new households (HH) likely to enter Aspirers category while 43 mn HH to enter Affluent & Elite category by 2030

Export

- India targets $ 2 trillion (tn) exports by 2030
- India's export to grow at 15% CAGR till 2030
- Product and Services export to grow by 2.2X and 2.9X respectively*
- Electricals and Electronics sector projected to grow at 35% to 40% CAGR^
- Chemical, Industrial Machinery, Auto to register higher double-digit growth^

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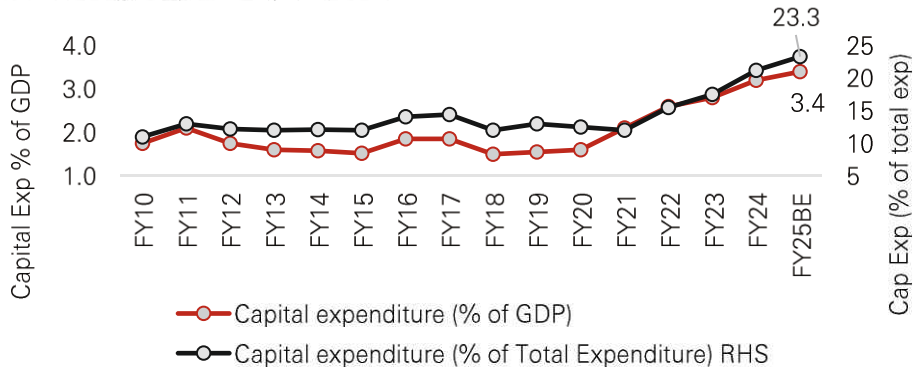
Why Infrastructure? - core driver of India growth story

India is going to spend ~$1.7 trillion on infrastructure in 7 fiscals through 2030, more than twice the ~$800 bn spent in the previous 7 fiscals*^.

- Government spending on Infrastructure grew 3x between FY20-FY24 to $120 bn
- Capex to GDP ratio rising by 3% over FY22-24E, to a 9-year high of 30%. GFCF as % of GDP trending up.

Increasing Capital Expenditure

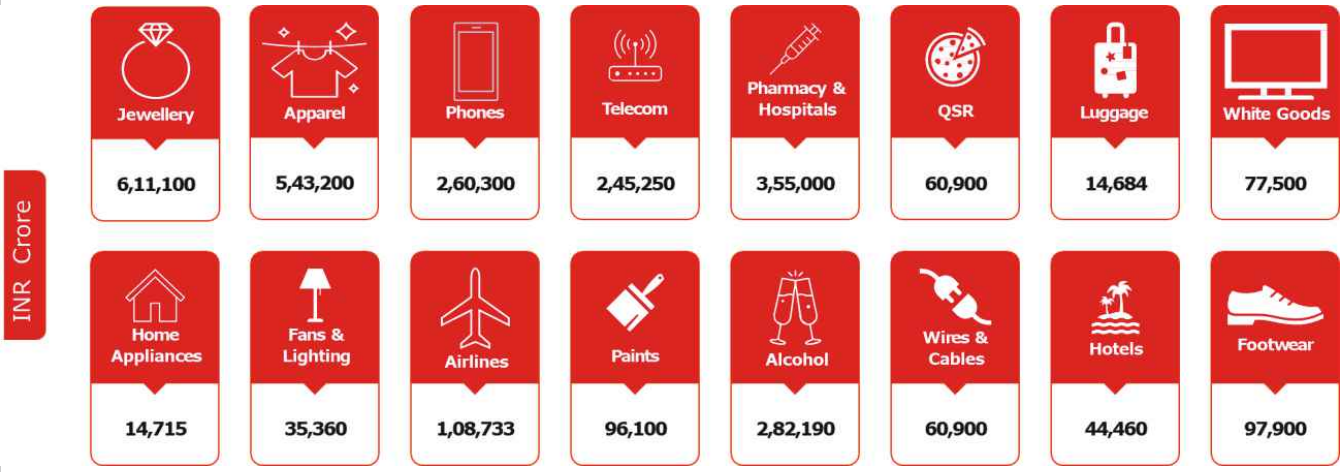


Source: HSBC Mutual Fund, Bloomberg, World Bank, India Budget 2024-25, CMIE, Jefferies, JP Morgan, CRISIL, Data as on 30 Sep 2024, * Period 2023 to 2030 ^Projected growth FY22 – FY28 , trillion (tn),

Why Consumption? – Strong consumption trend continues

Themes such as Premiumisation, Penetration, Urbanization, Digitisation and Financialisation are driving consumption in India.

30 Lakh crore+ of Consumer Discretionary spending every year



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Why Exports? – India's Exports to growth 2.5x by 2030

India's export focus and timebound ambitions to drive export and economic growth.

Exports to grow at ~15% CAGR vs Nominal GDP growth of 10% over 2023-30

Nominal GDP	2023	US$ 3.6 trillion	2x	2030E	US$ 7 trillion
India's Export	2023	US$ 783 billion	2.5x	2030E	US$ 2 trillion
Product Export	2023	US$ 441 billion	2.2x	2030E	US$ 1 trillion
Services Export	2023	US$ 341 billion	2.9x	2030E	US$ 1 trillion

Manufacturing export growth drivers: 2030

Chemical	~ $110 - $130 B	• Projected exports CAGR: 19%-23% • Hot segments: specialty chemicals, agrochemicals
Pharma	~ $45 - $50 B	• Projected exports CAGR: 16%-18% • Hot segments: active pharmaceutical ingredients and drug intermediaries
Industrial Machinery	~ $70 - $75 B	• Projected exports CAGR: 18%-20% • Hot segments: Food processing machines and textile machines
Electrical & Electronics	$120 - $145 B	• Projected exports CAGR: 35%-40% • Hot segments: Mobile phones & Industrial electronics
Automotive	$45 - $55 B	• Projected exports CAGR: 15%-18% • Hot segments: EV components
Textile & Apparel	~ $95 - $110 B	• Projected exports CAGR: 13%-16% • Hot segments: man-made fibers, technical textiles

Source: DRHPs, Industry reports, Company data, Spark Avendus, Jefferies, Motilal Oswal, Bloomberg, RBI, Ministry of Commerce and Industry, Data as on 30 June 2024, Manufacturing export growth drivers data - Bain analysis, Data as at July 2022

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HSBC Mutual Fund offers three different thematic funds with quality portfolios that focus on these three themes i.e. Infra, Consumption and Export.

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HSBC Infrastructure Fund

(An open-ended equity Scheme following Infrastructure theme)

Why Invest?

- To create potential wealth over a long-term from the infrastructure growth in India
- Substantial investment still required to boost India's infrastructure across multiple areas leading to attractive investment opportunities
- A top down and bottom-up approach will be used to invest in equity and equity related instruments

Portfolio Positioning

- It is a thematic fund which primarily invests in Infrastructure companies
- It's a flexi-cap strategy with a flexibility to invest across the market capitalization spectrum
- Fund looks at the business cycles and positions in a combination of secular growth and cyclical opportunities

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
- Gauges the impact of government initiatives and policies on infrastructure related industries and stocks
- Invests in themes that play an important role in and/or benefit from India's infrastructure development

The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s). # Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Asset Management; Data as of 30 Sep 2024. Past performance may or may not be sustained in future and is not a guarantee of any future returns.

HSBC Consumption Fund

(An open ended equity scheme following consumption theme)

Portfolio positioning

- The fund is an actively managed portfolio of companies engaged in consumption and consumption related theme.
- The fund's portfolio overlap with the benchmark is 40%
- Only 13 stocks out of 46 stocks in the portfolio are part of benchmark – higher Active management
- HSBC Consumption fund will aim to capture strong underlying growth themes / trends in the country

Why Invest?

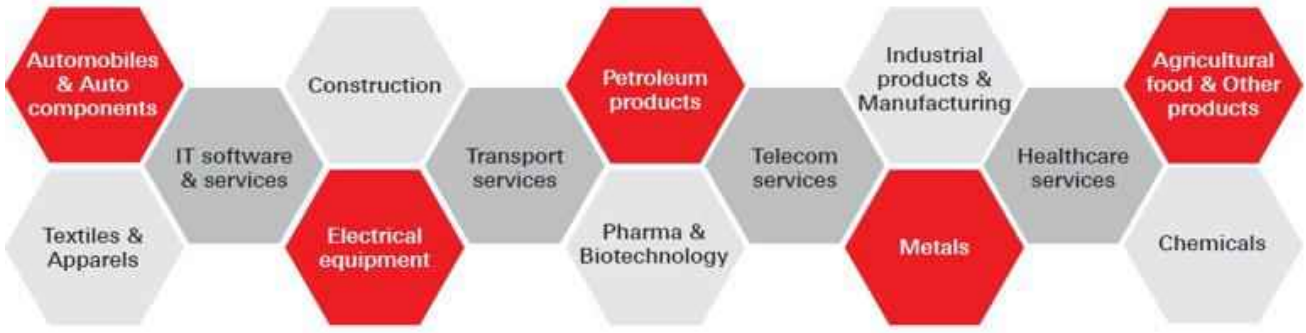
Rural recovery – for mass discretionary consumption. Better crop harvest beneficial for income perspective
Moderate Inflation in Global commodities in some pockets (Palm Oil, Gold) – price led growth is coming back
Channel inventory at normal levels and as demand picks up, could see better primary sales growth
Certain themes doing well -Jewellery, Value retail, Alcohol, White goods, Hotels & some at cusp of seeing growth again from Q3
Seeing trends of bottoming out in QSR, Footwear, Innerwear, Luggage, Building materials
Immune to war-like situation, low impact of Currency movement, Rate cuts will help but not dependent on it – Domestic Consumption theme intact
India is favorably positioned due to its demographics, formalisation of economy, increased women participation in workforce, etc.

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).

HSBC India Export Opportunities Fund
(An open ended equity scheme following export theme)

The aim of the scheme is to generate long-term capital growth from an actively managed portfolio of equity and equity related securities of companies engaged in or expected from export of goods or services.

The Scheme intends to invest predominantly in Equities and Equity related securities of companies from sector/industry having exports with revenue more than 20% from outside India which interalia include



- The fund will take exposure to companies that are likely to involve themselves in the following activities:
- Export goods manufactured in India that have the potential to increase employment
- Benefit from government's policy and reforms towards exports as a sector
- Leverages India's cost benefit arbitrage in services, ease of doing business and highly skilled talent pool
- Assist in promoting inboud tourism or providing cost-effective world-class healthcare facilities

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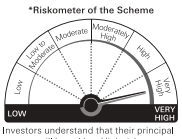
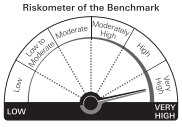
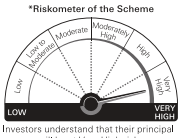
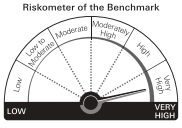
Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Infrastructure Fund (An open-ended equity Scheme following Infrastructure theme) **This product is suitable for investors who are seeking*:** • To create wealth over long term • Investment in equity and equity related securities, primarily in themes that play an important role in India's economic development.	*Riskometer of the Scheme  Investors understand that their principal will be at Very High risk	Riskometer of the Benchmark 

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Consumption Fund (An open ended equity scheme following consumption theme) **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	*Riskometer of the Scheme  Investors understand that their principal will be at Very High risk	Riskometer of the Benchmark 

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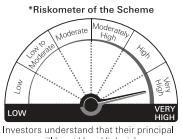
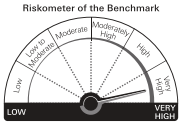
HSBC India Export Opportunities Fund (An open ended equity scheme following export theme) **This product is suitable for investors who are seeking":** • To create wealth over long term. • Investment predominantly in equity and equity related securities of companies engaged in or expected to benefit from export of goods or Services.	*Riskometer of the Scheme  Investors understand that their principal will be at Very High risk	Riskometer of the Benchmark 

* 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 Oct 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.

Source: HSBC Mutual Fund, data as on 31 Oct 2024, Past performance may or may not be sustained in the future and is not indicative of future results.

Note: Views provided above are based on information available in public domain at this moment and subject to change. Please consult your financial advisor for any investment decisions applicable to your investment appetite.

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