Life needs balance. So do your investments.

HSBC Equity Hybrid Fund

Aggressive Hybrid fund – An open ended hybrid scheme investing predominantly in equity and equity related instruments

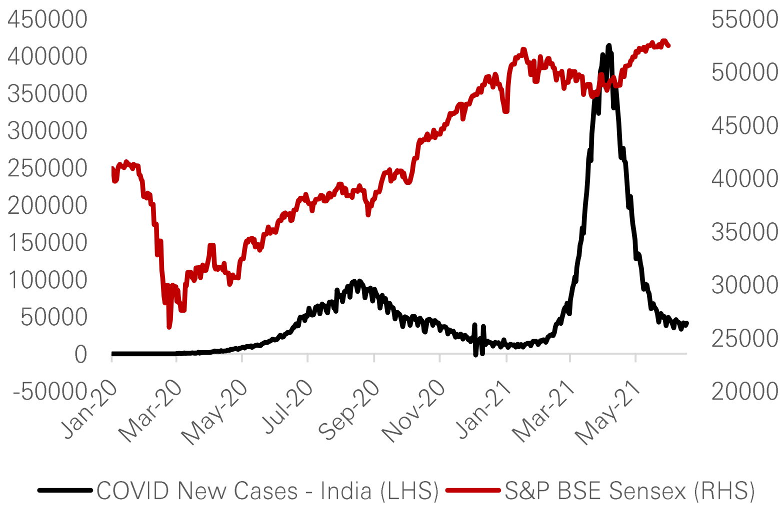
HSBC
Asset Management

25 July 2021

Why invest now?

Earnings momentum continues to remain strong

COVID daily new cases & BSE Sensex



Positives for equity markets

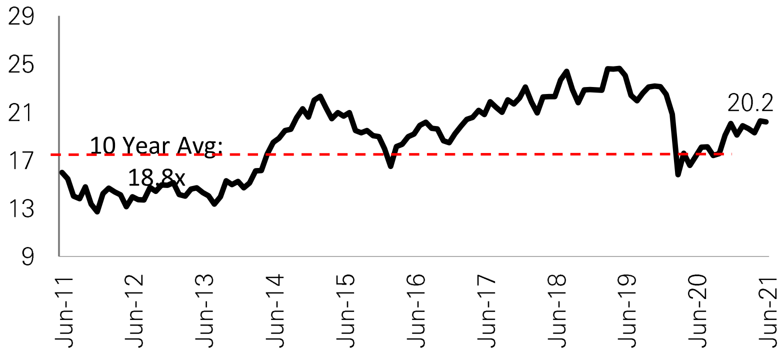
- Declining COVID infections and vaccination drive
- **Earnings momentum** continues to remain strong
- Gradual **Recovery** in mobility & economic indicators
- Impact of **Fiscal** stimulus in FY22 manageable
- Trajectory of **GDP growth** from hereon should pick up
- The **Risk-reward** is balanced for equity markets in the near term.
- From a medium to long term perspective, **Outlook** for equity positive
- Expectation of **Cyclical revival** brings multi-year earnings visibility
- Benign **Cost of capital** environment to support equity performance
- Moving from restoration to “**expansion phase**” of the business cycle

Expectation of Cyclical revival brings multi-year earnings visibility

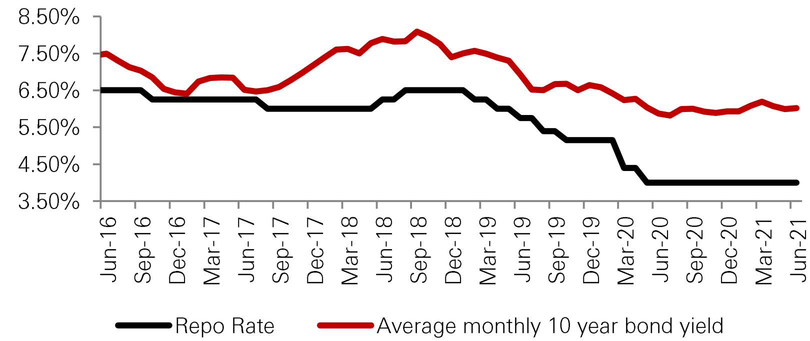
Source: Bloomberg, HSBC Asset Management India, Data as on 30 June 2021
Source - https://ourworldindata.org, License: All the material produced by Our World in Data, including interactive visualizations and code, are completely open access under the Creative Commons BY license.
Past performance may or may not sustain in the future and does not guarantee or assure future returns, Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management India accepts no liability for any failure to meet such forecast, projection or target.

Valuations slightly above long term averages

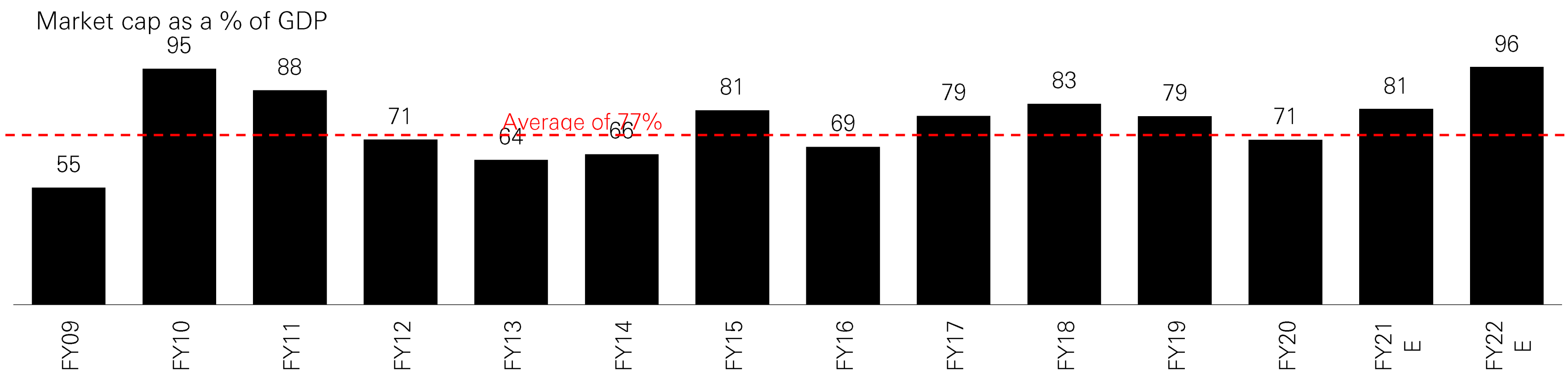
Nifty 50 – 1 year forward Price to Earnings ratio (P/E) (x)



India Repo rate remains unchanged at 4%



Trend in India's market cap-to-GDP (%)



Low cost of capital scenario makes equities attractive despite valuations

Source: Motilal Oswal, CRISIL – Bloomberg, Data as on 30 June 2021, PE – Price to earnings ratio,
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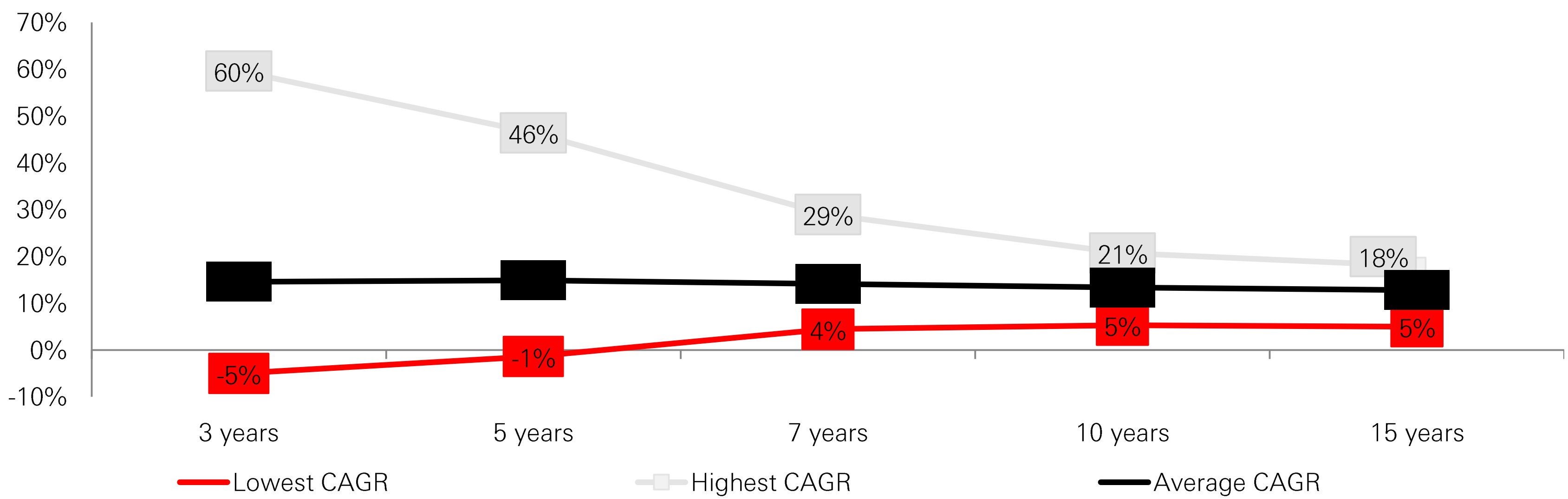
Equity offers long-term wealth creation opportunity

Volatility exists in the short run

- Equity provides a wealth-creation opportunity over the long term, but can erode wealth in the short term owing to volatility.
- Long-term investing increases the possibility of better performance with the help of power of compounding and shields the portfolio against short-term market fluctuations.

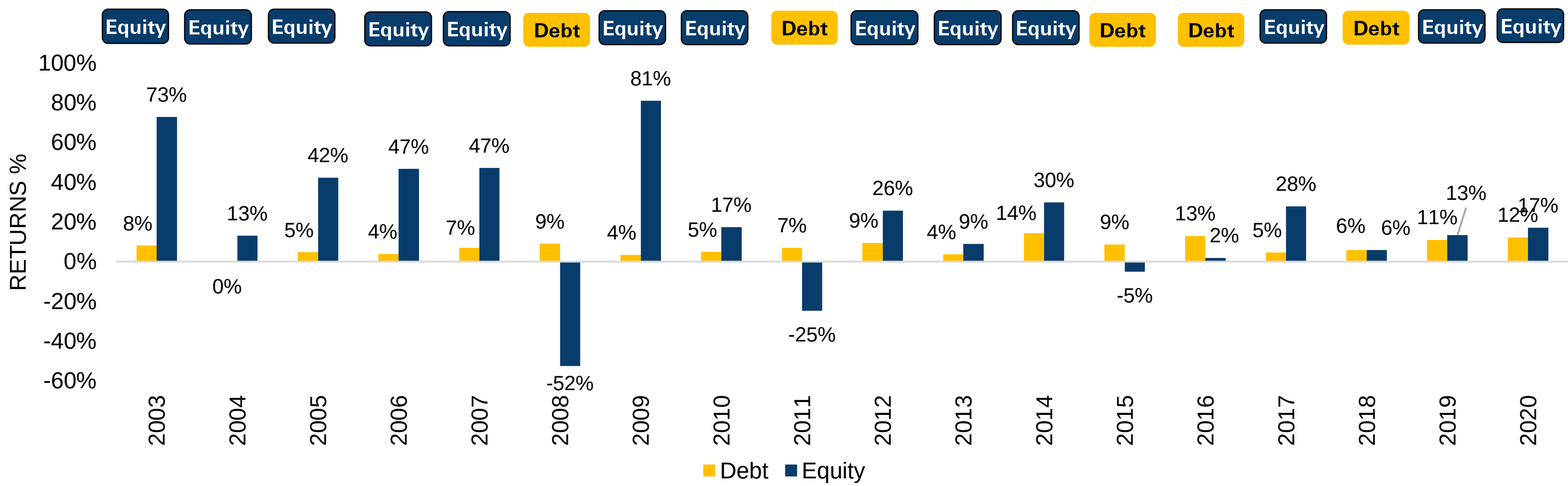


Longer investment horizon helps reduce volatility

Source: BSE
S&P BSE Sensex rolling returns for different holding periods. Period: Dec 2005 – Dec 2020; Data as at December 2020, Returns frequency: Monthly rolling
Past performance may or may not sustain and doesn't guarantee the future performance

Different seasons have different winners

- Every season the winner changes hands in the financial markets.
  - Asset classes (equity and debt) perform differently under different market situations.
  - Dependency on a single asset class could be risky and instead, diversification helps minimise potential losses.

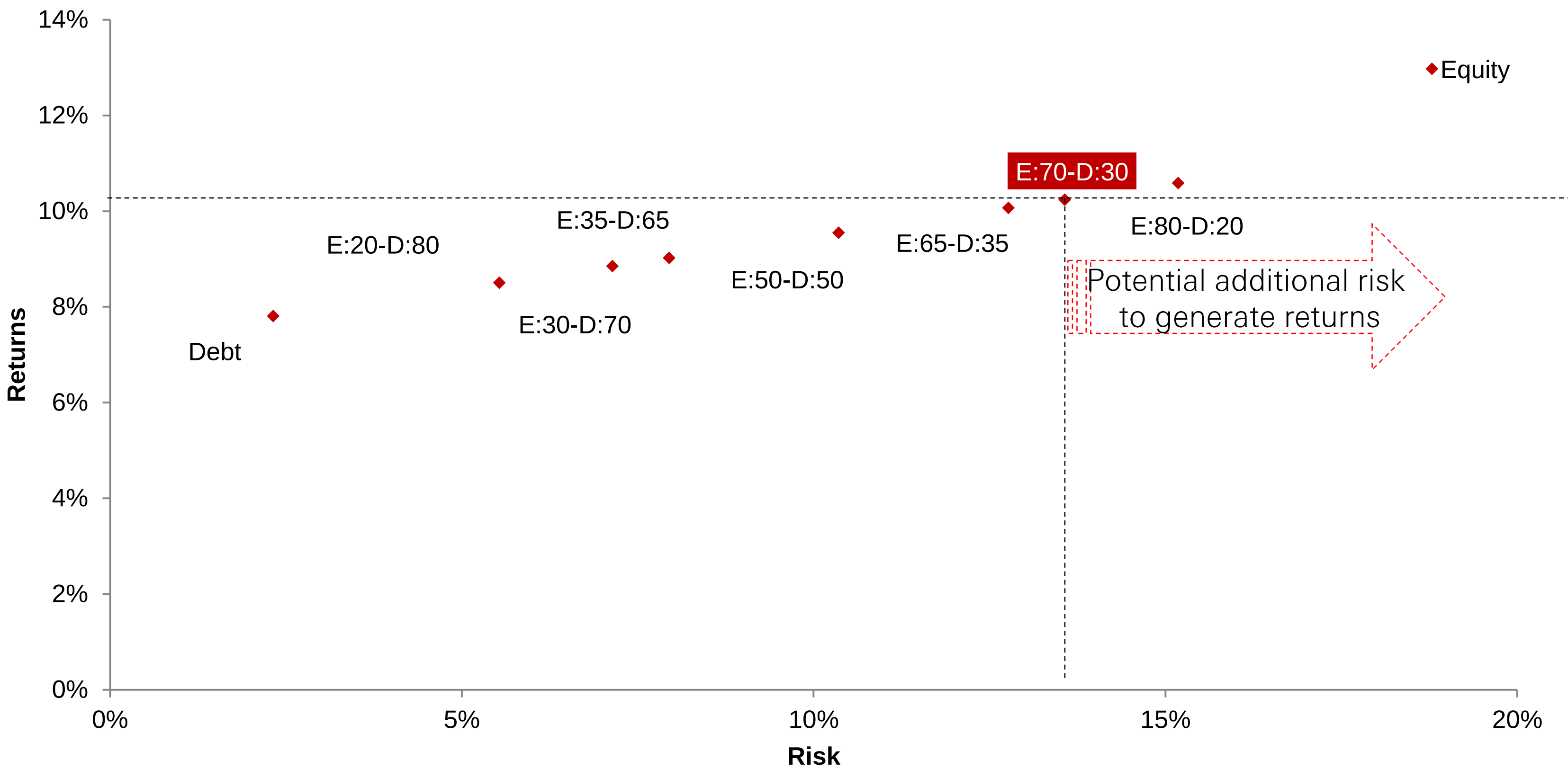


- As evident in the chart above, Equity index (S&P BSE Sensex) nosedived 52% while debt (Crisil Composite Bond Fund Index) rose 9% in 2008.
- In 2017, the S&P BSE Sensex surged 28% while the Debt index (CRISIL composite bond fund index) rose just 5%.
- In 2020, the S&P BSE Sensex has outperformed Debt index

Diversification helps minimise losses and get the best of both asset classes

Debt and equity are represented by the Crisil Composite Bond Fund Index and S&P BSE Sensex respectively,
Source: CRISIL Research, BSE, * Data as at December 2020, Equity – Debt Correlation is calculated using 10 years daily returns data for Sensex TRI and Crisil Composite Bond Fund Index.
Past performance may or may not sustain and doesn't guarantee the future performance

Optimal asset allocation for wealth generation



Right asset allocation is the key to an ideal portfolio

Above list of asset allocation patterns is not exhaustive and only for illustration purpose
E –(Equity) S&P BSE 200 and D (Debt) CRISIL Composite bond fund index, Equity – S&P BSE Sensex TRI, Debt – Crisil Composite Bond Fund Index,
Risk – return chart for 15 years with annualised point to point returns and annualised Standard deviation of daily returns data as at December 2020 , Risk – Standard deviation
Mutual fund investments are subject to market risks, read all scheme-related documents carefully. Past performance may or may not sustain and doesn't guarantee the future performance

Optimal asset allocation best suited for long-term investors

- With appropriate asset allocation between equity and debt, benefits of diversification can be seen, particularly in the market downtrend.
- The analysis below shows that during bear phases, Portfolio B (70% equity and 30% debt) has performed better as compared with Portfolio A (100% equity).

Period	Portfolio A returns (equity 100%)	Portfolio B returns (equity 70% and debt 30%)
Sub-prime crisis (Jan 2008-Mar 2009)	-44%	-35%
Sharp bounce back post sub-prime crisis (Apr 2009-Dec 2010)	54%	38%
European crisis (Jan 2011-June 2013)	-1%	1%
Post European crisis (Jul 2013-Feb 2015)	29%	25%
Chinese slowdown (Mar 2015-Feb 2016)	-21%	-12%
Global liquidity and domestic reforms (Mar 2016-Dec 2017)	24%	22%

Right allocation across asset classes helps achieve better risk-adjusted returns

Portfolio Allocation A represented by S&P BSE Sensex TRI Index
Portoflio Allocation B represented by S&P BSE 200 TRI Index (70% weightage) and CRISIL Composite Bond Fund Index (30% weightage)
Annualised returns on point to point basis is considered
Source: CRISIL Research, For illustration purpose only Past performance may or may not sustain and doesn’t guarantee the future performance

HSBC Equity Hybrid Fund - Volatility can be reduced

Growth

Though equities offer growth, extreme volatility of equities may reflect temporary erosion of investment

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Stability

Fixed Income asset class can provides stability

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HSBC Equity Hybrid Fund (HEHF)

Exposure to both asset classes reduces the short/medium term volatility and provides the right balance to the portfolio

Fixed Income complements equity and provides strength to the portfolio

Past performance may or may not sustain and doesn’t guarantee the future performance

HEHF’s investment approach

Asset allocation strategy with right balance between equity & debt

- **Optimal asset allocation** – exposure to two different asset classes to strike the right balance between Growth & Stability
  - Investment in equity and equity-related instruments - between 65% and 80% of total assets *
  - Investment in debt instruments -between 20% and 35% of total assets *

- **Sector agnostic strategy** - sector agnostic style of investments to build a diversified portfolio using PBROE valuation framework

- **Optimal-Duration strategy** - to follow an optimal duration debt strategy and invest in high quality fixed income instruments which offer reasonable yields

Flexible in approach, high on growth, low on risks

Past performance may or may not sustain and doesn’t guarantee the future performance

For representation purpose only, * The provision for equity investments is between 65% to 80% and debt between 20% to 35%. The investment list above is not exhaustive and for illustration purpose only.

Fund Philosophy and Key Portfolio Themes

Fund Philosophy

- Prefer dominant and scalable businesses available at reasonable valuations.
- Profit pool consolidation with dominant players to continue and disruption to accelerate this shift.
- Stock selection focuses on earnings growth trajectory and within that the emphasis lies on earnings surprises.

Key portfolio themes:

- Continue to maintain a pro-cyclical bias in the portfolio. This is driven by strong earnings growth outlook.
- Expect earnings growth to rebound sharply from 2QFY22 onwards and is expected to sustain in high-teens beyond FY22 as well.
- Multi-year earnings visibility driven by cyclical recovery on the back of revival in capex over the next 2-3 years (first government followed by private capex).
- Benign cost of capital environment to support equity performance.
- Prefer rate sensitives followed by domestic cyclicals, exporters and domestic consumption.
- Predominantly regulated businesses come last in the pecking order.
- Preference dictated by assessment of sectors / segments leading contribution to the market earnings growth over the next 2-3 years.

Prefer rate sensitives, domestic cyclicals, exporters & domestic consumption

Data as of 30 June 2021
Past performance may or may not sustain and doesn't guarantee the future performance

Portfolio themes

View	Sector						
Preference order	1	2	3	4	5	6	7
Overweight	Financials	Healthcare	Industrials	Materials	IT	Real Estate	Consumer Discretionary
Underweight	Consumer Staples	Energy	Utilities	Communication Services	-	-	-

Financials (Lenders)

- Positive view on large banks / NBFCs (with good parentage).
- Larger lenders will gain market share on account of their strength in capital adequacy, granular deposit franchise and investment in digital infrastructure.
- Balance sheet will be in a healthy shape when the capex cycle returns accelerate market share gains
- Large lenders will emerge stronger post crisis and ROAs will be near or cross previous peaks

Healthcare

- Positive on account of the decent earnings growth visibility and reasonable valuations.
- Valuations can improve further as the sector offers mid-teen earnings growth visibility.
- Focused on companies with diversified exposure in US generic business and domestic branded market, with better vertical integration.
- Small exposure to hospitals space is due to improving profitability trends & demand recovery.

Materials

- Positive on domestic cyclicals (Cement) and Chemicals while remain negative on Metals.
- Positive on Specialty Chemicals space due to the robust demand.
- Larger niche players to continue to deliver faster revenue traction.
- In Cement demand remains strong with growth vaccine provided by the budget 2021.
- Cement is a play on domestic growth recovery and improvement in capacity utilization.
- Negative on global cyclicals (metals), as see the peak commodity prices and peak margins as unsustainable.

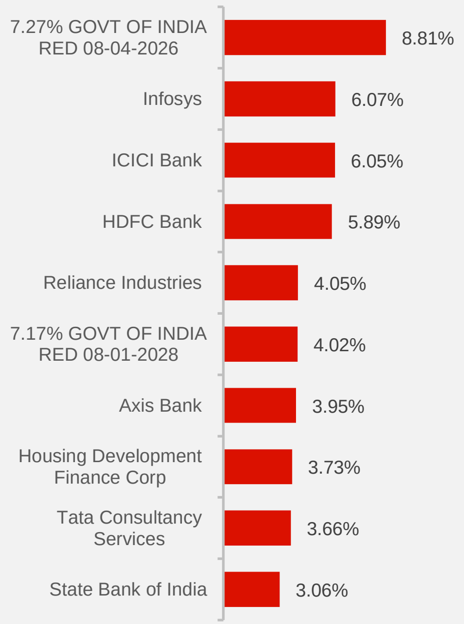
Positive on domestic cyclicals (Cement) and Chemicals while remain negative on Metals

Data as on 30 June 2021
Past performance may or may not sustain and doesn't guarantee the future performance

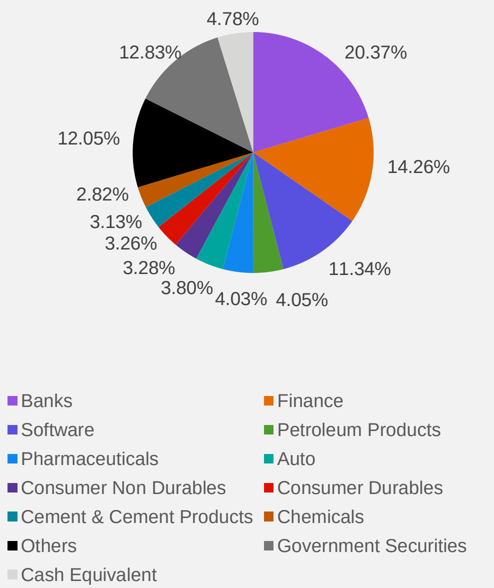
HLMEF - Portfolio & allocation

Portfolio

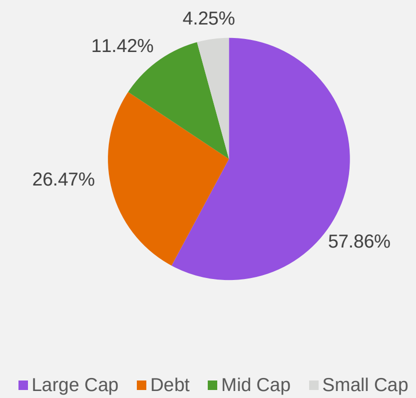
Top 10 Holdings as on 30 June 2021



Asset Allocation



Market Capitalisation



Data as on 30 June 2021
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Who should invest in HEHF?

Suited for all types of investors

Cautious - New to equity

- HEHF is well suited for investors with no equity exposure due to volatility associated with equity asset class. HEHF can provide reasonably high return potential with lesser volatility.

Moderate – Measured equity exposure

- HEHF is well suited for an informed investor who is looking for adequate exposure to equities at lesser risk

Disciplined – Balanced approach

- HEHF is best suited for investors looking for a cost effective and optimal asset allocation product

Past performance may or may not sustain and doesn't guarantee the future performance

Why should you invest in HEHF?

To be a disciplined investor

Optimal asset allocation

- Get exposure to two asset classes in one fund which are not just different, but complementary

Asset rebalancing

- Maintain the desired asset allocation level in your portfolio with asset rebalancing

Dual advantage

- Grow your investments with equity and stabilise the volatility with debt

Tax effect

- Switching between both asset classes for the desired asset allocation portfolio has no tax incidence #

Past performance may or may not sustain and doesn't guarantee the future performance
HEHF invest and rebalances portfolio within equity and debt asset class. HEHF has equity fund status and subject to equity taxation.

HSBC Equity Hybrid Fund (HEHF)

Fund snapshot

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 Name	**HSBC Equity Hybrid Fund**	**Type**	An open ended hybrid scheme investing predominantly in equity and equity related instruments
Benchmark	A customized index with 70% weight to S&P BSE 200 TRI and 30% weight to CRISIL Composite Bond Fund Index.	**Plans / Options / Sub options**	Regular, Direct plans / Growth, Income Distribution cum capital withdrawal (IDCW)/ Payout of IDCW, Reinvestment of IDCW
Minimum Application Amount	Rs 5,000/- per application and in multiples of Re. 1/- thereafter Additional Purchase Rs 1,000	**Loads (including SIP / STP wherever applicable)**	Entry Load* : Nil Exit Load:– Any redemption / switch-out within 1 year from the date of allotment: For 10% of the units: NIL, For remaining units: 1% If redeemed / switched out after 12 months from the date of allotment: NIL"
SIP (Minimum Application Amount)	Rs. 500/-		
SIP/STP/SWP	Available	**Fund Managers**	Neelotpal Sahai and Ranjithgopal for Equity Kapil Punjabi for Debt

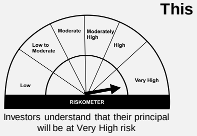
The exit loads set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively

*In terms of SEBI circular no. SEBI/IMD/CIR No.4/ 168230/09 dated June 30, 2009, no entry load will be charged by the Scheme to the investor effective August 1, 2009. No exit load (if any) will be charged for units allotted under bonus / dividend reinvestment option.

Note on Risk-o-meters: Please note that the above risk-o-meter is as per the product labelling of the scheme available as on the date of this communication/ disclosure. As per SEBI circular dated October 05, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

HSBC Equity Hybrid Fund

This product is suitable for investors who are seeking*:



Investors understand that their principal will be at Very High risk

- Long term wealth creation and income
- Invests in equity and equity related securities and fixed Income instruments

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

Disclaimer

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HSBC Asset Management (India) Private Limited, 16, V.N. Road, Fort, Mumbai-400001
Email: hsbcmf@camsonline.com | Website: www.assetmanagement.hsbc.co.in

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