

## Frequently Asked Questions (FAQs)

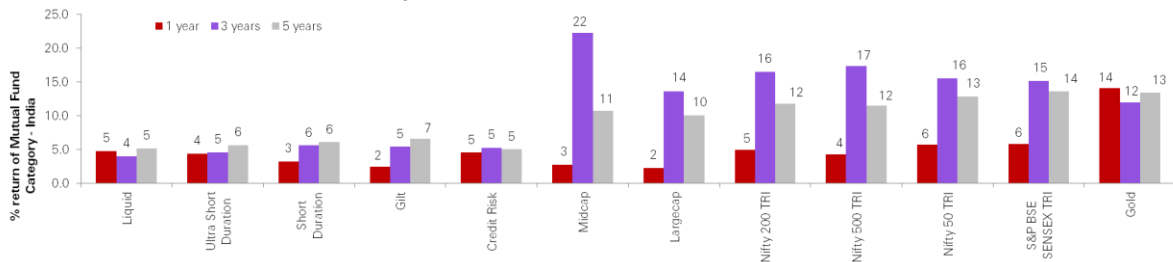
### HSBC Multi Cap Fund

Multi Cap Fund - An open ended equity scheme investing across large cap, mid cap, small cap stocks

**NFO Date: 10 Jan 2023 - 24 Jan 2023 | Reopening Date: 3 Feb 2023**

#### 1. Why should one invest in equities?

- The longer you stay invested in equities, lower is the possibility of negative returns.
- Over the long run, equity may beat inflation
- Historically, equities have delivered above average returns compared to most of the other asset classes over the long term



BSE Sensex	3-year rolling returns	5-year rolling returns	7-year rolling returns	10-year rolling returns	15-year rolling returns
Average rolling period returns	16.27%	15.88%	15.46%	15.35%	14.66%
Positive investment periods	90%	93%	94%	99%	100%

#### Past performance may or may not be sustained in future

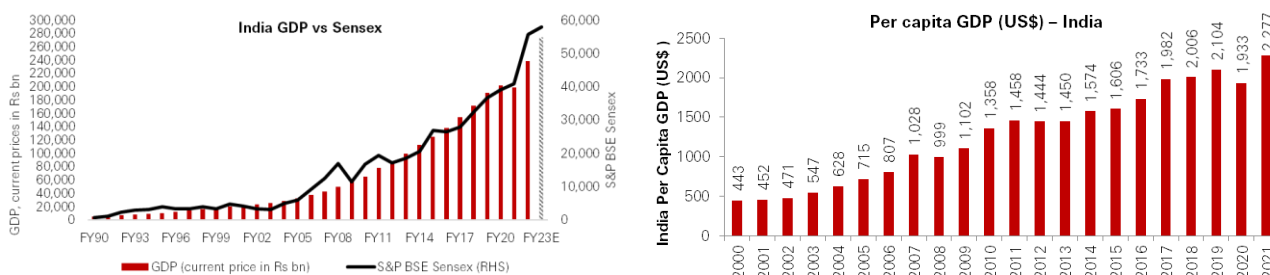
Source: Crisil, Data ended December 2022 except otherwise mentioned, YTD, 1 year returns are absolute, 3 and 5 years annualised CAGR returns, Average performance of 23 Liquid, 17 Ultra Short Duration, 19 Short Duration, 16 Gilt, 11 Credit risk, 23 Mid cap and 28 Large cap funds of CRISIL ranked schemes from the respective fund categories, Gold returns are based on spot rates from India Bullion and Jewellers Association (IBJA),

Rolling performance - Monthly rolling returns for respective holding periods since 30 June 1979. For instance, in case of 15-year monthly rolling returns, there will be 342 return periods. The first return period will be 30 June 1979- June 1994 and the last return period will be 31 Dec 2007- 31 Dec 2022. Positive investment periods – The number of investment periods during which returns have been positive. For example, when investment returns have been computed for a 15-year rolling period, 342 months out of 342 instances offered positive returns (i.e. 100% positive investment periods). **Past performance may or may not be sustained in the future**

## 2. Why invest in equities now? What is the current state of the equity markets and what we can expect going forward?

### Long term outlook for Indian equities continue to grow stronger

- Trajectory of GDP growth looks promising
- India's GDP per capita has grown at a reasonably high rate in the past and expected to show an improving trend.
- With rising per capita income, consumption can grow significantly in emerging new sectors and new-age themes
- GOI's total capital expenditure in H1 FY23 witnessed a 50% jump to Rs.3.4 Lakh Cr, compared with Rs.2.2 Lakh Cr in the same period of FY22
- GST collections continue to average at ~Rs.1.5 Lakh Cr in FY22-23
- Lower crude oil prices at ~\$80 per barrel will support Indian economy
- Make in India, PLI and other GOI reforms are expected to show a positive impact on equity markets over the long term
- India's earnings momentum continues to be strong
- Cyclical revival is likely to bring multi-year earnings visibility



Source: CRISIL, Bloomberg, HSBC Mutual Fund, Crude prices – NYMEX, Data as at 31 Dec 2022

## 3. Why invest in Large Caps?

Large Caps offer lower probability of negative returns or relatively lower downside within equities over the long term

### Large Cap Features

- Low volatility
- Relatively stable earnings growth
- Well-researched
- Well-owned
- Reasonable valuations

## 4. Why invest in Mid Caps?

Mid Caps offer more potential of delivering high growth

### Mid Cap Features

- Historically above average performance
- Earnings acceleration

- Under-researched
- Under- owned
- Diversity and alpha

#### 4. Why invest in Small Caps?

Small Caps offer more probability of delivering high alpha

##### **Small Cap Features**

- Multi-baggers of tomorrow
- High earnings growth potential
- Under-researched and under-owned
- Opportunities to spot pricing anomalies
- Diversity and alpha potential

#### 5. Why invest in Mid and Small Caps now?

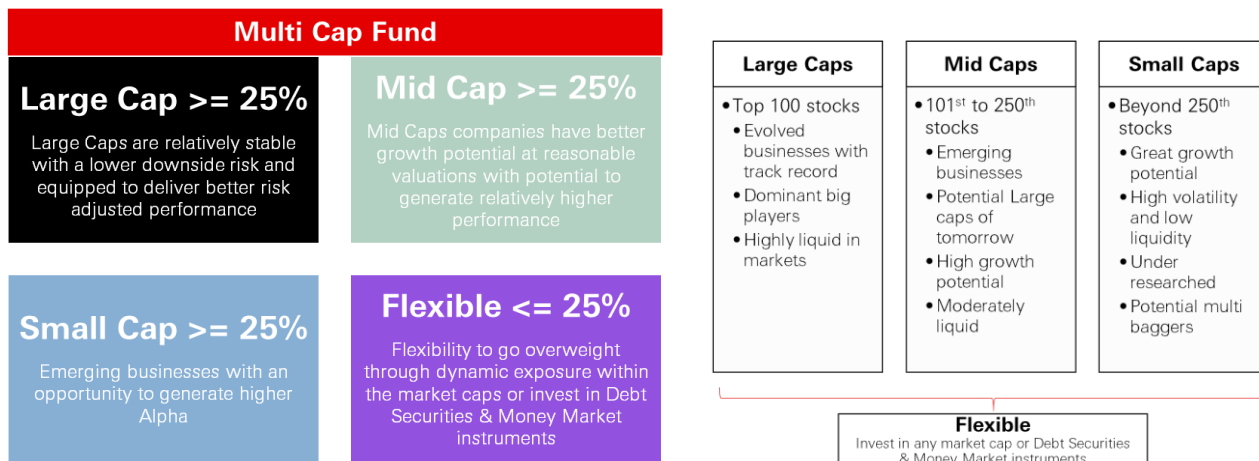
Mid and Small Caps offer potential to outperform and its time for investors to build Mid and Small Cap portfolio

- A good time for investors to build their Mid and Small Cap portfolio considering growth momentum in the Indian economy
- Stocks from relatively new sectors are getting listed and many of these are mid and small caps
- Market share shift from unorganized to the organized sector is beneficial to well-run companies of this size
- India gaining traction as a manufacturing source would mean opportunities for a lot of ancillary sectors which would be smaller in size
- Robust earnings growth momentum cycle visible for companies across Mid and Small Caps, alongside Large Caps
- Small and Mid Caps at relatively reasonable valuations considering the better earnings growth expectations
- Historically, Mid and Small Caps have delivered reasonable performance over medium to long term
- Small and Mid Caps are best options to hold emerging business leaders

#### 6. What are Multi Cap Funds?

Multi Cap Funds are diversified equity mutual fund schemes, which invest across market cap segments i.e. large cap, mid cap and small caps. Multi Cap funds must have at least 75% of their assets in equity and equity-related products. These funds must have a minimum 25% allocation each to large-cap, mid-cap, and small-cap stocks and has flexibility for upto 25% to go overweight through dynamic exposure within the market caps or invest in Debt Securities & Money Market instruments.

Large Cap (25%) + Mid Cap (25%) + Small Cap (25%) + Flexible^ (25%) = Multi Cap advantage



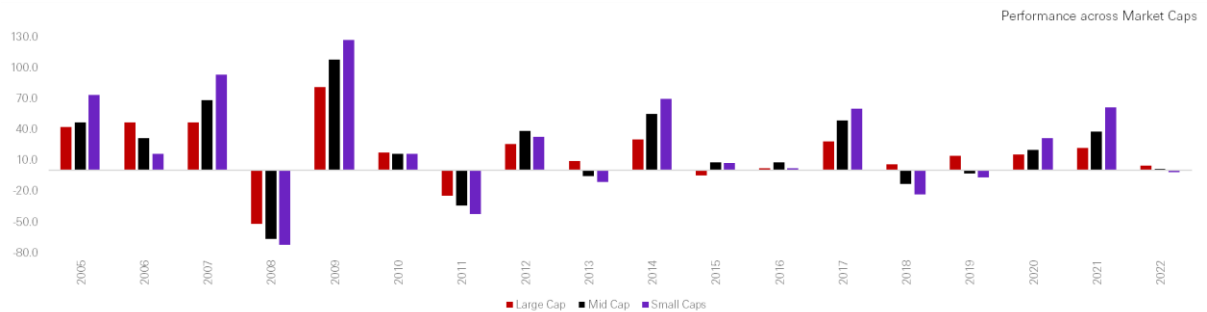
The asset allocation and investment strategy will be as per Scheme Information Document (SID). Large-caps are represented by the top 100 stocks on full market capitalisation basis & Mid caps are represented by the next 150 stocks based on full market capitalisation and Small Cap stocks beyond 250th stock based on full market capitalisation basis.

**Some of the salient features of multi cap funds are as follows:**

- **Performance & Diversification:** Multi Cap aims to bring in the performance consistency with the minimum defined allocation to Large, Mid and Small Caps
- **Suitable for any Market Cycles:** Investing across market caps is also important because different market segments outperform in different years. Large Caps tend to be more resilient in poor market conditions, while mid and small caps tend to outperform in a bullish environment.
- **Earnings Growth Combo:** Multi Cap investments aims to offer combination of steady and consistent earnings growth with flavor of accelerated earnings growth
- **Beat Volatility:** Multi Caps show relatively moderate volatility due to allocation to Large Caps and aim for better risk adjusted performance
- **Well-Researched & Under-Researched:** Well researched Large Caps have visibility on earnings growth while mid & small Caps may subject to the market mis-appraisal and mis-pricing as they are under researched stocks
- **Discounted Valuations:** Mid Caps and Small Caps may offer valuation discount on account of under-research characteristics
- **Economies of Scale and Alpha:** While Large Caps can achieve robust economies of scale and stable performance, Mid & Small Caps may offer relatively higher growth / performance

## 7. Why invest in Multi Cap Funds?

Multi Cap strategy has potential to perform in the different market cycles



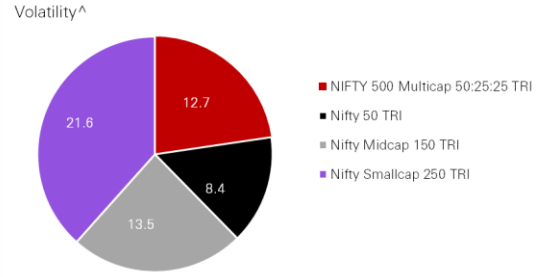
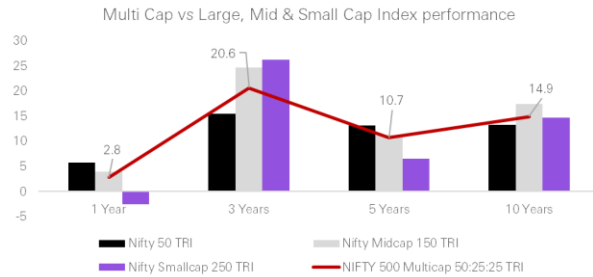
**Past performance may or may not be sustained in the future.** Source: MFI ICRA, Data as on 31 Dec 2022, Chart representation - Large cap – S&PBSE Sensex, Mid Cap – S&P BSE Midcap, Small Cap – S&P BSE Small Cap index.

- It can be seen historically; winners may change based on favourable or unfavorable market cycle
- Large Cap stocks have outperformed / fallen less in 2006, 2008, 2010, 2011, 2013, 2018 and 2019 and 2022
- Mid Cap stocks have outperformed in 2012, 2015 & 2016
- Small Cap stocks were the best performers in the year 2005, 2007, 2009, 2014, 2017, 2020 and 2021

**Multi Caps subject to low volatility due to allocation to relatively stable Large Caps apart from Mid and Small Caps making it lower volatile combination than the standalone segment.**

Based on the chart below, Multi Cap Funds have potential to deliver better risk adjusted performance

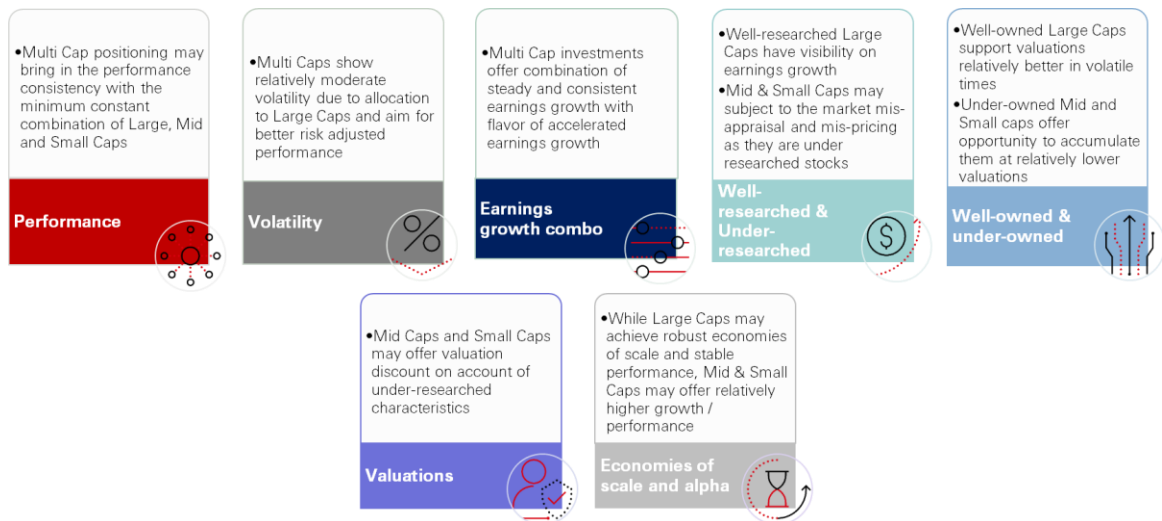
- Multi Cap index has delivered 20.6% CAGR over the 3 years and generated 14.9% CAGR over the last 10 years
- Historically, Multi Cap Funds have delivered above average returns while keeping volatility at relatively moderate levels
- Exposure towards Small and Mid Cap companies can increase the portfolio volatility
- Multi Cap Funds aim to reduce volatility with exposure to Large Cap companies



Source: MFI ICRA, Data as on 31 Dec 2022, Chart representation - Large cap – Nifty 50 TRI, Mid Cap – Nifty Midcap 150 TRI, Small Cap – Nifty Small Cap 250 TRI. Volatility = Standard Deviation for 1 year period, Index computation using the free-float market capitalisation weighted method. **Past performance may or may not be sustained in the future.**

### Case for Multi Cap Funds

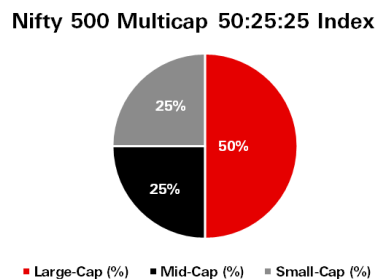
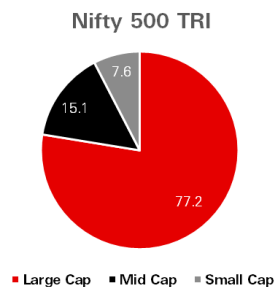
Multi Cap funds offer many advantages - Multi Cap Funds offer diversified proposition with investment in Large, Mid, Small Caps. These funds must have a minimum 25% allocation each to large-cap, mid-cap, and small-cap stocks and has flexibility for upto 25% to go overweight through dynamic exposure within the market caps or invest in Debt Securities & Money Market instruments.



Source: HSBC Mutual Fund For illustration purpose only. The asset allocation and investment strategy will be as per Scheme Information Document (SID). Large-caps are represented by the top 100 stocks on full market capitalisation basis & Mid caps are represented by the next 150 stocks based on full market capitalisation and Small Cap stocks beyond 250<sup>th</sup> stock based on full market capitalisation basis.

### 8. What is the general benchmark used for Multi Cap funds and Flexi Cap Funds?

Multi Cap Funds portfolio benchmarked against Nifty 500 Multicap 50:25:25\* offers relatively better diversification due to minimum 25% allocation to each of Large, Mid and Small Caps



\*Based on the currently available benchmark for multi-cap funds category.

### Difference between Multi Cap and Flexi Cap Funds

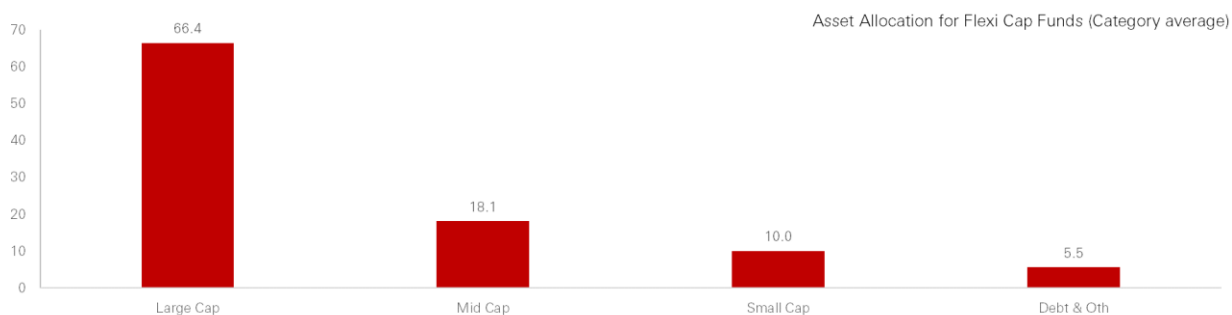
Parameters	Multi Cap Funds	Flexi Cap Funds
Minimum Equity Exposure	75%	65%
Market Cap Exposure	Minimum 25% each in Small Cap, Mid Cap and Large Cap	Flexible
Asset Allocation Flexibility <sup>^</sup>	Low	High

Source: MFI ICRA, Data as on 31 Dec 2022, Asset Allocation flexibility – Flexibility to allocation assets across asset classes and market caps without predefined restrictions

### 9. How does Flexi Cap Funds allocation differ vs Multi Cap Funds allocation?

As per SEBI (Mutual Funds) Regulations, Flexi Cap Funds have minimum allocation of 65% to equity and equity related instruments, while Multi Cap funds must have at least 75% of their assets in equities and equity-related products; Multicap funds must have a minimum 25% allocation each to large-cap, mid-cap, and small-cap stocks and has flexibility for upto 25% to go overweight through dynamic exposure within the market caps or invest in Debt Securities & Money Market instruments.

Average allocation to each caps for both these categories are as follows:

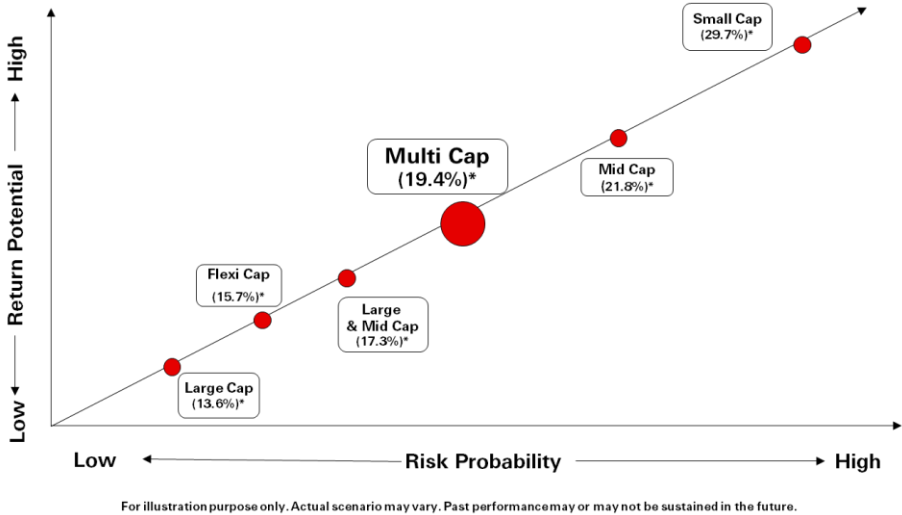


Asset Allocation for Multi Cap Funds (Category average)				
	LARGE CAP(%)	MID CAP(%)	SMALL CAP(%)	DEBT & OTHER (%)
Average	42	26	26	6

Source – MFI Explorer, Data as on 31 Dec '22, For illustration purpose only. All Flexi Cap Fund category schemes are considered in above chart. All Multi Cap Fund category schemes are considered in above chart.

### 10. What is Risk Return profile of Multi Cap Funds?

Multi Cap Funds offer better risk-adjusted performance



Source: HSBC Mutual Fund, ICRA MFI, \* Category average return for 3 year CAGR as on 31 Dec 2022, **Past performance may or may not be sustained in the future.** All schemes from each category that have completed three years are included in above chart data. No of Funds in respective category – 30 Large Cap, 25 Flexi Cap, 28 Large & Mid Cap, 8 Multi Cap, 25 Mid Cap and 21 Small Cap funds.

### 11. What is the Investment Philosophy of the HSBC Mutual Fund

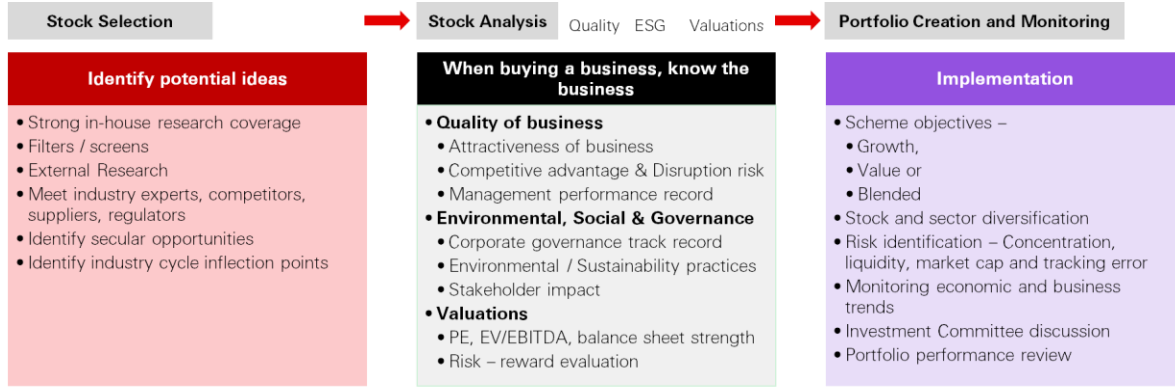
Guiding principles that drive investment philosophy and approach

<b>Investment mandate</b>	<b>Active fund management</b>	<b>Research based stock selection</b>	<b>Robust risk management</b>
<ul style="list-style-type: none"> <li>Ensures that the fund manager adheres to the investment style stated in the prospectus or offer documents</li> </ul>	<ul style="list-style-type: none"> <li>Focus and conviction on long-term business fundamentals</li> <li>Disciplined yet active fund management can generate superior long-term performance</li> </ul>	<ul style="list-style-type: none"> <li>Focus is on identifying stocks with                             <ul style="list-style-type: none"> <li>Strong business fundamentals</li> <li>Better growth prospects and</li> <li>Undervalued relative to their intrinsic worth</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A robust framework for evaluating, monitoring and managing various risks are an integral part of the investment process</li> </ul>

### Equity Investment Process of HSBC Mutual Fund

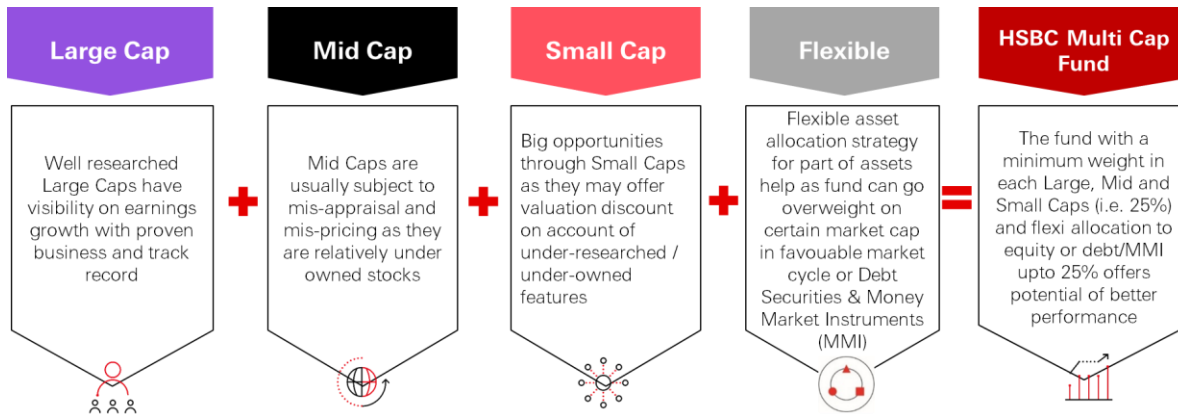
Power of SAPM - Equity investment process comprises three stages





**12. What is the USP of HSBC Multi Cap Fund? What is this fund all about?**

One can access benefits in multiple market cycles through one fund i.e. HSBC Multi Cap Fund.



Source – HSBC Mutual Fund

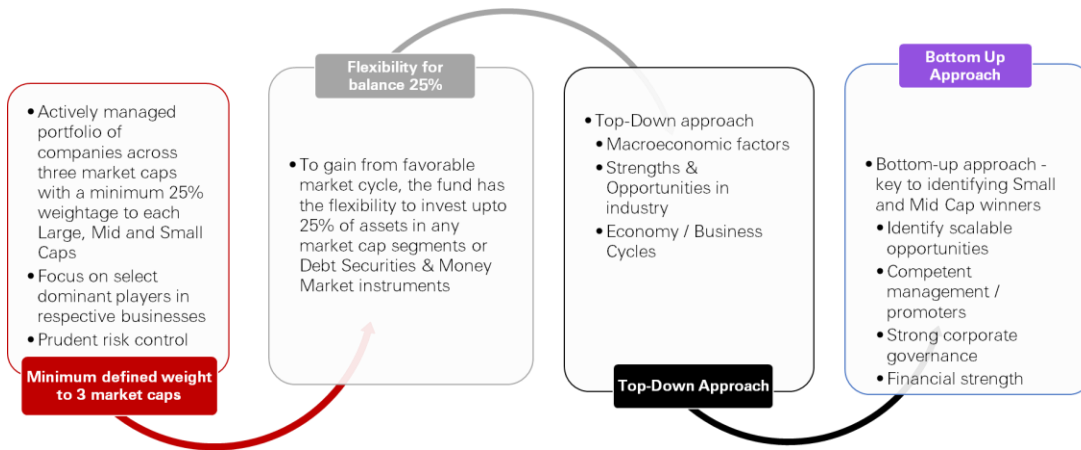
**The fund offers opportunity across sizes.**



Large-caps are represented by the top 100 stocks on full market capitalisation basis & Mid caps are represented by the next 150 stocks based on full market capitalisation and Small Cap stocks beyond 250<sup>th</sup> stock based on full market capitalisation basis.

### 13. What is the investment approach of HSBC Multi Cap Fund (HMUF)?



HMUF's Investment approach: Focus on Quality and Quantum. We believe Midcap are good but Focus on strong businesses with sustainable profitability, higher earnings potential and reasonable valuations



Source: HSBC Mutual Fund

### 14. Give us more detail about HSBC Multi Cap Fund?

<b>Investment Objective</b>	<ul style="list-style-type: none"> <li>The investment objective of the fund is to generate long-term capital growth from an actively managed portfolio of equity and equity related securities across market capitalization. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.</li> </ul>
<b>Benchmark</b>	<ul style="list-style-type: none"> <li>Benchmark Index : NIFTY 500 Multicap 50:25:25 TRI</li> </ul>
<b>Asset Allocation Pattern</b>	<ul style="list-style-type: none"> <li>Equities &amp; Equity related securities: 75 – 100%</li> <li>Minimum investment in Equity &amp; Equity related instruments of Large Cap companies – 25% of net assets</li> <li>Minimum investment in Equity &amp; Equity related instruments of Mid Cap companies – 25% of net assets</li> <li>Minimum investment in Equity &amp; Equity related instruments of Small Cap companies – 25% of net assets</li> <li>The fund can invest balance 25% in any of the market caps i.e. Large, Mid or Small Caps</li> <li>Debt Securities &amp; Money Market instruments (including Cash &amp; Cash Equivalents): 0 – 25%</li> <li>Units of REITs and InvITs: 0 – 10%</li> </ul>
<b>Fund Manager</b>	<ul style="list-style-type: none"> <li>Venugopal Manghat (For Domestic equities)</li> <li>Sonal Gupta (For Overseas investments)</li> <li>Kapil Punjabi (For Fixed income)</li> </ul>
<b>Load</b>	<ul style="list-style-type: none"> <li>Units redeemed or switched out upto 10% of the units purchased or switched in within 1 year from the date of allotment – Nil</li> <li>Units redeemed or switched out over and above the limit within 1 year from the date of allotment – 1%</li> <li>Nil if redeemed or switched out on or after 1 year from the date of allotment</li> </ul>

Product Label	Scheme Risk-o-meter	Benchmark Risk-o-meter Benchmark Index : NIFTY 500 Multicap 50:25:25 TRI
<p><b>HSBC Multi Cap Fund</b> (Multi Cap Fund - An open ended equity scheme investing across large cap, mid cap, small cap stocks)</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>To create wealth over long-term</li> <li>Investment predominantly in equity and equity related securities across market capitalization</li> </ul>	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p>	 <p>RISKOMETER</p>

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

Product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Source – HSBC Mutual Fund, Refer to the SID of HSBC Multi Cap Fund for more details, Refer SID for further details on the scheme and its asset allocation pattern.

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

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