

Product Note

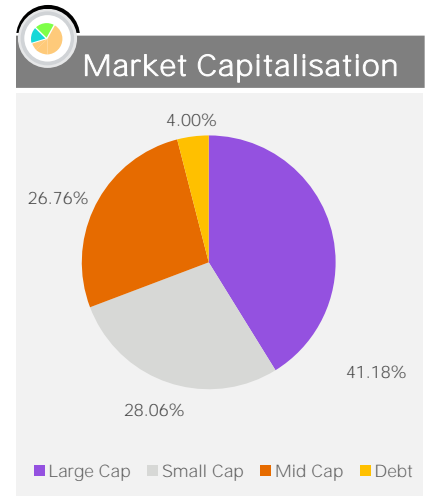
HSBC Multi Cap Fund (HMCF)

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

May 2023

| Fund Category | Fund Manager | Benchmark ¹ | Inception Date | AUM |
|----------------|-------------------------------------|---------------------------------|----------------|----------------|
| Multi Cap Fund | Venugopal Manghat and Kapil Punjabi | NIFTY 500 Multicap 50:25:25 TRI | 30 Jan 2023 | Rs. 1277.96 Cr |

| Portfolio | % of net assets | Sector - Allocation | % of net assets |
|---------------------------|-----------------|---------------------------------|-----------------|
| ICICI Bank Limited | 3.65% | Banks | 15.71% |
| Larsen and Toubro Limited | 3.34% | Industrial Products | 12.04% |
| ITC Limited | 3.20% | IT - Software | 8.47% |
| HDFC Bank Limited | 2.96% | Construction | 7.29% |
| State Bank of India | 2.82% | Electrical Equipment | 4.72% |
| NTPC Limited | 2.72% | Pharmaceuticals & Biotechnology | 4.40% |
| Varun Beverages Limited | 2.60% | Reverse Repos/TREPS | 4.24% |
| Kirloskar Oil Eng Limited | 2.41% | Cement & Cement Products | 3.69% |
| APL Apollo Tubes Limited | 2.25% | Leisure Services | 3.46% |
| KPIT Technologies Limited | 2.16% | Automobiles | 3.34% |



Access benefits in multiple market cycles through one fund



Stock selection

- The fund invest across Large, Mid and Small Caps
- Aim to invest in smaller size businesses in their early stage of development that have higher potential for growth in the long run
- Focus on growth potential in revenue and profits as compared to broader market with relatively higher risk
- Follows bottom-up stock selection using proprietary investment approach
- Provides an opportunity to invest in undervalued, under-owned, and under researched segments that can deliver strong growth
- Valuation is the most important key focus while investing in stocks with an adequate margin of safety

The fund's Investment approach

- Aim to provide long-term capital growth through a dynamically managed portfolio across Small, Mid and Large Cap stocks
- The market capitalisation allocation of assets will be a minimum 25% each in Small, Mid and Large Cap stocks

Bottom-up stock picking is rewarding across cycles

- Various phases of the economic cycle throw up diverse stock picking opportunities
- In a growing economy, some companies exhibit better growth and earnings visibility irrespective of the business cycle
- Business cycles and macros driving them can be directional indicators but ultimately stock selection will lead to better returns

Strong franchises thrive in bad macros

- Bad macro-economic conditions are a blessing for good franchises
- For e.g. rising cost of inputs forces weaker players in an industry to close capacity. This helps stronger / organized players to gain market share and dominate the industry
- Consumer staples companies do well generally in a high inflation environment. Similarly, rising crude prices have helped Paint companies even as their input prices have risen multifold
- Adverse NPA cycle has hurt weak PSU banks, curtailing their ability to lend, thereby enabling NBFCs and private banks to garner market share and strengthen their franchise further

Opportunity across sizes - LEAP

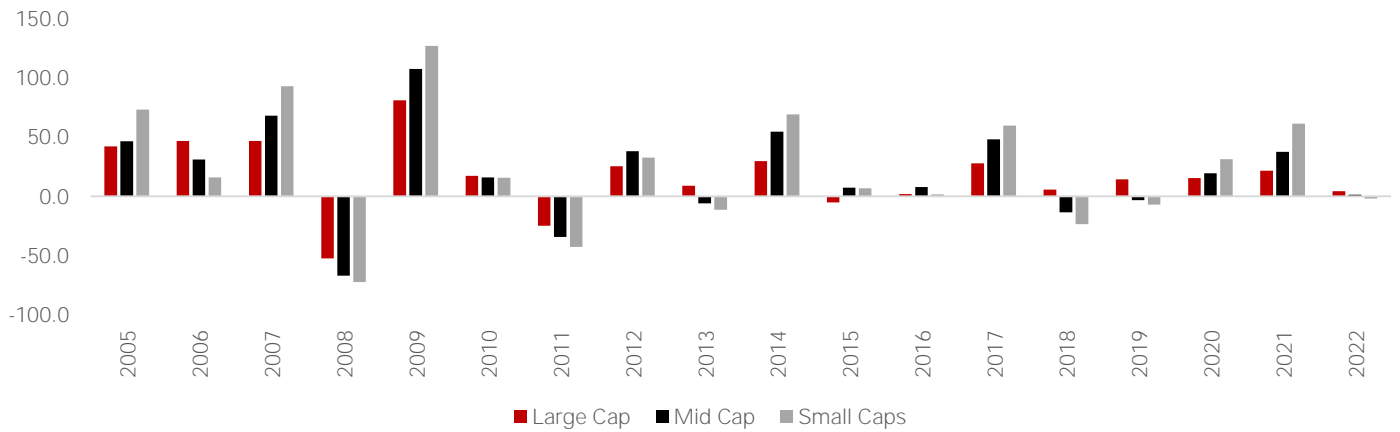
| Large Cap - L eader Top 100 companies | Mid Cap - E merging A spirants 101st to 250th companies | Small Cap - P earls 251st company and beyond |
|---|--|--|
| Well established businesses | Potential Large Caps | Niche and emerging businesses |
| Matured players with long track record | Proven track record with higher growth prospects | High potential for growth |
| High liquidity | Comparatively higher volatile versus Large Caps | Relatively more volatile and less liquidity |
| Stable and less volatile | Potential valuation multiple re-rating candidates | Higher research arbitrage |

Source: HSBC Mutual Fund

Chart representation - Large cap – S&PBSE Sensex, Mid Cap – S&P BSE Midcap, Small Cap – S&P BSE Small Cap index.
Past performance may or may not be sustained in the future.

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

Performance across Market Caps



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, 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 and 2020

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

Investment Strategy - HSBC Multi Cap Fund (HMCF)

Minimum defined weight to 3 market caps

- Actively managed portfolio of companies across three market caps with a minimum 25% weightage to each Large, Mid and Small Caps
- Focus on select dominant players in respective businesses
- Prudent risk control



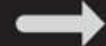
Flexibility for balance 25%

To gain from favorable market cycle, the fund has the flexibility to invest upto 25% of assets in any market cap segments or Debt Securities & Money Market instruments



Top-Down Approach

- Top-Down approach
- Macroeconomic factors
 - Strengths & Opportunities in industry
 - Economy / Business Cycles



Bottom Up Approach

Bottom-up approach - key to identifying Small and Mid Cap winners

- Identify scalable opportunities
- Competent management / promoters
- Strong corporate governance
- Financial strength

Focus on strong businesses with sustainable profitability, higher earnings potential and reasonable valuations

Source - HSBC Mutual Fund, ^ Flexible - The fund can invest in any market cap or Debt Securities & Money Market instruments. 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 .



| HSBC Multi Cap Fund | | |
|---|--|---|
| <p>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"> To create wealth over long-term Investment predominantly in equity and equity related securities across market capitalization (Benchmark: NIFTY 500 Multicap 50:25:25 TRI) | <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p> | <p>Benchmark Index: NIFTY 500 Multicap 50:25:25 TRI</p> <p>RISKOMETER</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 April 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 30 April 2023

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