

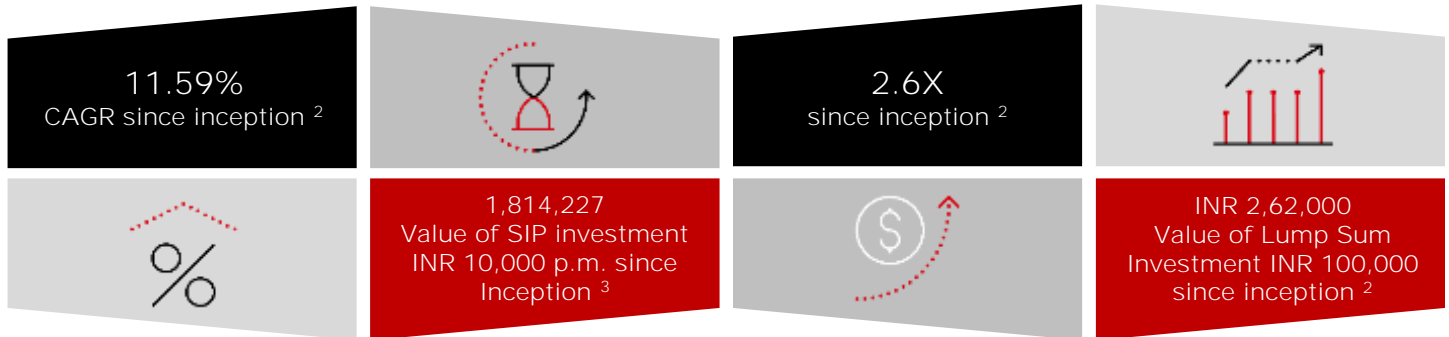
## Product Note

### HSBC Business Cycles Fund (HBCF) (Formerly known as L&T Business Cycles Fund)

Thematic Fund - An open ended equity scheme following business cycles based investing theme

June 2023

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM
Thematic Fund	Gautam Bhupal and Venugopal Manghat	NIFTY 500 TRI	20 Aug 2014	Rs. 590.28 Cr



Risk Ratios <sup>4</sup>	
Standard Deviation	16.04%
Beta	0.97
Sharpe Ratio <sup>5</sup>	1.38
R2	0.87

Load / Expenses	
Entry Load	NA
Exit Load - NIL (after 1 year), 1% (before 1 year) <sup>6</sup>	
Expense ratio (Other than Direct) <sup>7</sup>	2.45%
Expense ratio (Direct)	1.38%

Portfolio	% of net assets
ICICI Bank Limited	6.83%
HDFC Bank Limited	6.34%
Reliance Industries Limited	4.60%
State Bank of India	4.42%
Larsen & Toubro Limited	4.10%
ABB India Limited	3.49%
Ratnamani Metals and Tubes Limited	2.94%
Housing Development Finance Corporation Limited	2.91%
Aegis Logistics Limited	2.84%
Carborundum Universal Limited	2.83%

Sector - Allocation	% of net assets
Banks	23.89%
Construction	14.25%
Industrial Products	10.17%
Consumer Durables	4.87%
Petroleum Products	4.60%
Cement & Cement Products	4.48%
Finance	3.85%
Electrical Equipment	3.49%
Chemicals & Petrochemicals	2.86%
Gas	2.84%

<sup>1</sup> SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/ CIR/2021/652 dated October 27, 2021, 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. Furthermore, the same is effective from 01 December 2021

<sup>2</sup> As on 31 May 2023 of Growth option. During the same period, scheme benchmark (Nifty 500 TRI) has moved by 2.7X to Rs 2,74,880 from Rs 100,000 and delivered return of 12.20%. Please refer page no. 3 for detailed performance of HSBC Business Cycle Fund.

<sup>3</sup> During the same period, value of scheme benchmark (Nifty 500 TRI) has moved to 1,921,359

<sup>4</sup> Statistical Ratios disclosed are as per monthly returns (Annualized) for the last 3 years.

<sup>5</sup> Risk free rate: 6.40% (FIMMDA-NSE MIBOR) as on May 31, 2023

<sup>6</sup> Exit Load - If the units redeemed or switched out are upto 10% of the units purchased or switched in ("the limit") within 1 year from the date of allotment - Nil

• If units redeemed or switched out are over and above the limit within 1 year from the date of allotment - 1%

• If units are redeemed or switched out on or after 1 year from the date of allotment - Nil

<sup>7</sup> Continuing plans

Fund strategy as at Jan '23. Data as on 31 May 2023.

All economies go through “Business Cycles” and every stage of the business cycle impacts performance of each sector that largely drives the performance of equity market.

Thus, timely selection of the prospective sectors that could benefit in different market cycles could provide great opportunity to generate alpha.

Invest in HSBC Business Cycles Fund that adopts business cycle approach by identifying economic trends and strategically investing in the sectors and stocks that are likely to outperform at that stage of business cycle in the economy to generate wealth in the long-run.

## Why HSBC Business Cycle Fund?

- Long-term capital appreciation
- Aim to build a portfolio of predominantly equities with focus on riding business cycles
- Dynamic allocation between cyclical and defensive sectors and stocks at different stages of business cycles in the economy
- To create a corpus through generating inflation-adjusted returns to cater to long-term goals

## Fund Philosophy

- HBCF focuses on riding business cycles by strategically changing allocation between various sectors and stocks at different stages of business cycle in the economy
- The fund has the flexibility to invest across the market capitalization spectrum.
- Within a sector, the fund prefers dominant and scalable businesses available at reasonable valuations

## Key portfolio themes:

- We believe that the macro recovery cycle is still underway and has some way to go before turning. In line with that we are invested into the cyclical part of the economy. We believe the earnings growth delivered by these companies will be strong in the medium term partially aided by the economic tailwinds.
- Persistently high Inflation has impacted the margins of corporate India. However, the demand scenario so far has not deteriorated a lot as visible in 3rd quarter results. With commodity prices starting to come down, margins should also get an uptick. Remain constructive on the businesses that are participating in the current growth trends.
- However, with interest rates rising and depreciating currency, there can be impact on the demand growth in the short term and corporate earnings could see a downward revision. However, the medium-term outlook remains strong, and focus is on companies that have good visibility of growth.
- Our positioning in the portfolio is:
  - Overweight on the capex recovery theme: Our highest active sector weight remains industrial which is seeing a strong growth driven by a strong capex push by both public and private sector companies,
  - Overweight on the infrastructure: Also remain positive on infrastructure space driven by strong push by government
  - Equal weight on financials: Financials are seeing a strong growth driven by recovery in credit growth cycle coupled with credit cost normalization which is leading to earnings expansion. However, valuations are pricing in fair bit of medium-term earnings growth leading to our neutral stance.

## Portfolio sectoral positioning:

- Overweight: Industrials, Infrastructure, Building Material and Chemicals
- Neutral: Financials, Automotive, Consumer Discretionary
- Underweight: IT, Consumer Staples, Energy, Utilities, Communication Services

## Sector Attribution (1 year):

- O/W in Industrials and U/W in IT and Utilities contributed positively to the performance.
- U/W in Consumer Staples and Financials contributed negatively to the performance.

## Investment Objective

The investment objective of the Scheme is to seek to generate long-term capital appreciation from a portfolio of predominantly equity and equity related securities, including equity derivatives, in the Indian market with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy. The Scheme could also additionally invest in Foreign Securities. There is no assurance that the objective of the Scheme will be realised and the Scheme does not assure or guarantee any returns.

HSBC Business Cycle Fund (HBCF) | Product Note  
[ June 2023 ]

Fund Managers - Gautam Bhupal (No of Schemes Managed – 7) - Managing Fund Since June 01 2023 and Venugopal Manghat (No of Schemes Managed – 5) - Managing Fund Since 20 Aug 2014 and Sonal Gupta (No of Schemes Managed - 4, for investment in foreign securities)

Lump Sum Investment Performance									Inception Date
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		
	Amount in Rs	PTP Returns %	Amount in Rs	PTP Returns %	Amount in Rs	PTP Returns %	Amount in Rs	PTP Returns %	
HSBC Business Cycles Fund-Regular	12037	20.37	22476	30.93	15965	9.80	26200	11.59	20-Aug-14
Scheme Benchmark (Nifty 500 TRI)	11274	12.74	20806	27.61	17904	12.35	27488	12.20	
Additional Benchmark (Nifty 50 TRI)	11294	12.94	20037	26.02	18344	12.89	26142	11.56	

Performance of other funds managed by the Fund Manager									Inception Date
Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		3 Years		5 Years		Since Inception		
	Amount in Rs	PTP Returns %	Amount in Rs	PTP Returns %	Amount in Rs	PTP Returns %	Amount in Rs	PTP Returns %	
HSBC Large Cap Fund – Regular <sup>8</sup>	11307	13.07	18245	22.15	16344	10.32	351019	18.97	10-Dec-02
Scheme Benchmark (Nifty 100 TRI)	11107	11.07	19538	24.96	17675	12.06	NA	NA	
Additional Benchmark (Nifty 50 TRI)	11294	12.94	20037	26.02	18344	12.89	229584	16.53	
HSBC Small Cap Fund-Regular <sup>9</sup>	12165	21.65	31077	45.83	18762	13.40	48596	19.07	12-May-14
Scheme Benchmark (NIFTY Small Cap 250 TRI)	11539	15.39	28748	42.10	16579	10.63	37149	15.59	
Additional Benchmark (Nifty 50 TRI)	11294	12.94	20037	26.02	18344	12.89	29589	12.72	
HSBC Infrastructure Fund-Regular <sup>10</sup>	12773	27.73	25040	35.72	16521	10.56	28690	6.95	27-Sep-07
Scheme Benchmark (NIFTY Infrastructure TRI)	11286	12.86	19975	25.89	17772	12.18	14784	2.52	
Additional Benchmark (Nifty 50 TRI)	11294	12.94	20037	26.02	18344	12.89	44584	10.00	
HSBC Value Fund-Regular	11881	18.81	22533	31.04	17492	11.83	63844	14.84	08-Jan-10
Scheme Benchmark (Nifty 500 TRI)	11274	12.74	20806	27.61	17904	12.35	41614	11.23	
Additional Benchmark (Nifty 50 TRI)	11294	12.94	20037	26.02	18344	12.89	41555	11.22	
HSBC Flexi Cap Fund-Regular	11496	14.96	19245	24.34	15405	9.02	165955	15.69	24-Feb-04
Scheme Benchmark (Nifty 500 TRI)	11274	12.74	20806	27.61	17904	12.35	138143	14.59	
Additional Benchmark (Nifty 50 TRI)	11294	12.94	20037	26.02	18344	12.89	130323	14.25	

Fund / Benchmark (Value of Rs 10,000 invested)	1 Year		Since Inception	
	Amount in Rs	PTP Returns %	Amount in Rs	PTP Returns %
HSBC Focused Fund-Regular	11025	10.25	15785	17.32
Scheme Benchmark (Nifty 500 TRI)	11274	12.74	17954	22.73
Additional Benchmark (Nifty 50 TRI)	11294	12.94	17209	20.92

Past performance may or may not be sustained in the future. Refer note below.

Name of Scheme	Fund Manager	No. of funds managed and Co-managed
HSBC Business Cycles Fund	Gautam Bhupal- Since June 01 2023 Venugopal Manghat- Since Aug 20 2014	Gautam Bhupal-8 Venugopal Manghat-5
HSBC Large Cap Fund	Neelotpal Sahai- Since May 27, 2013 Gautam Bhupal- Since June 01 2023	Neelotpal Sahai-4 Gautam Bhupal-8
HSBC Small Cap Fund	Venugopal Manghat- Since Dec 17, 2019 Vihang Shankar Naik- Since Dec 17, 2019	Venugopal Manghat-5 Vihang Shankar Naik-4
HSBC Infrastructure Fund	Venugopal Manghat- Since Dec 17, 2019 Gautam Bhupal- Since Nov 26, 2022	Venugopal Manghat-5 Gautam Bhupal-8
HSBC Value Fund	Venugopal Manghat- Since Nov 24, 2012 Vihang Shankar Naik- Since Dec 17, 2019	Venugopal Manghat-5 Vihang Shankar Naik-4
HSBC Flexi Cap Fund	Vihang Shankar Naik- Since Nov, 26 2022 Venugopal Manghat- Since Nov, 26 2022	Vihang Shankar Naik-4 Venugopal Manghat-5
HSBC Focused Fund	Neelotpal Sahai- Since Nov 26, 2022 Cheenu Gupta- Since June 01, 2023	Neelotpal Sahai-4 Cheenu Gupta-8

<sup>8</sup> HSBC Large Cap Fund: The launch date of the Nifty 100 TRI is Jan 01, 2003 whereas the inception date of the scheme is Dec 10, 2002. The corresponding benchmark returns since inception of the scheme not available.

<sup>9</sup> HSBC Small Cap Fund: The launch date of the S&P BSE 250 Small Cap Index

<sup>10</sup> HSBC Infrastructure Fund: The launch date of the S&P BSE India Infrastructure Index (INR) is May 19, 2014 whereas the inception date of the scheme is September 27, 2007. The corresponding benchmark returns since inception of the scheme is not available.

Note - Sonal Gupta shall be dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund.

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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SIP Performance - HSBC Business Cycles Fund - Regular					Inception Date: 20-Aug-14
Scheme Name & Benchmarks	1 Year	3 Years	5 Years	Since Inception	
Total amount invested (₹)	120000	360000	600000	1050000	
Market Value as on May 31, 2023 (₹)	133,290	480,063	910,367	1,814,227	
Scheme Returns (%)	21.26	19.65	16.71	12.13	
Nifty 500 TRI - Scheme Benchmark (₹)	127,912	450,848	883,433	1,921,359	
Nifty 500 TRI - Scheme Benchmark Returns (%)	12.51	15.20	15.49	13.38	
Nifty 50 TRI - Additional Benchmark (₹)	128,149	447,595	871,003	1,910,878	
Nifty 50 TRI - Additional Benchmark Returns (%)	12.89	14.70	14.91	13.26	

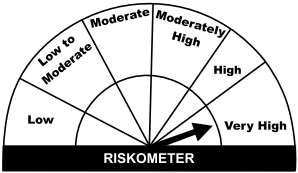
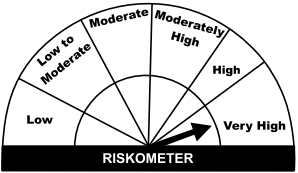
Since Inception returns are provided from the date of allotment of units. PTP returns – Point to Point returns.

For SIP returns, monthly investment of Rs.10,000 invested on the 1st day of every month has been considered. SIP Return are calculated on XIRR basis.

The performance details provided herein is of Regular Plan - Growth Option. Returns on ₹10,000 are point-to-point returns for the specific time period, invested at the start of the period. The returns for the respective periods are provided as on last available NAV of May 2023 for the respective Schemes. Returns for 1 year and above are Compounded Annualized. Returns for less than 1 year is Simple Annualized. Load is not taken into consideration for computation of performance. Different plans shall have a different expense structure. The expenses of the Direct Plan under the Scheme will be lower to the extent of the distribution expenses / commission charged to the Regular Plan.

Pursuant to the transfer of schemes of L&T Mutual Fund to HSBC Mutual Fund, which was effective from the close of business hours of November 25, 2022, the performance of the Scheme (which is the surviving scheme out of the merger of schemes with similar features) provided above is computed as per the provisions of SEBI Circular No- SEBI/HO/IMD/DF3/CIR/P/2018/69 dated April 12, 2018 using the weighted average performance of both transferor and transferee schemes. The details of the transferor and transferee schemes please refer to our notice dated October 14, 2022 available on [www.assetmanagement.hsbc.co.in](http://www.assetmanagement.hsbc.co.in).

## Product Label

Scheme name and Type of scheme	*Riskometer of the Scheme	Riskometer of the benchmark
<p><b>This product is suitable for investors who are seeking*:</b></p> <p><b>HSBC Business Cycles Fund (Erstwhile L&amp;T Business Cycles Fund) - Thematic Fund</b> - An open ended equity scheme following business cycles based investing theme.</p> <ul style="list-style-type: none"> <li>Investment predominantly in equity and equity-related securities, including equity derivatives in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy. (Benchmark : NIFTY 500 TRI Index)</li> </ul> <p><b>HSBC Large Cap Fund (Erstwhile HSBC Large Cap Equity Fund) - Large Cap Fund</b> – An open ended equity scheme predominantly investing in large cap stocks.</p> <ul style="list-style-type: none"> <li>To create wealth over long term.</li> <li>Investment in predominantly large cap equity and equity related securities. (Benchmark : NIFTY 100 TRI Index)</li> </ul> <p><b>HSBC Small Cap Fund (Erstwhile L&amp;T Emerging Businesses Fund) - Small Cap Fund</b> – An open ended equity scheme predominantly investing in small cap stocks</p> <ul style="list-style-type: none"> <li>Long term capital appreciation</li> <li>Investment predominantly in equity and equity-related securities, including equity derivatives in Indian markets with key theme focus being emerging companies (small cap stocks); and foreign securities (Benchmark : NIFTY Small Cap 250 TRI)</li> </ul> <p><b>HSBC Infrastructure Fund - Thematic Fund (Erstwhile L&amp;T Infrastructure Fund)</b> – An open-ended Equity Scheme following Infrastructure theme.</p> <ul style="list-style-type: none"> <li>To create wealth over long term</li> <li>Investment in equity and equity related securities, primarily in themes that play an important role in India's economic development. (Benchmark : NIFTY Infrastructure TRI)</li> </ul> <p><b>HSBC Value Fund (Erstwhile L&amp;T India Value Fund) - Value Fund</b> - An open ended equity scheme following a value investment strategy.</p> <ul style="list-style-type: none"> <li>Long term capital appreciation</li> <li>Investment predominantly in equity and equity-related securities in Indian markets and foreign securities with higher focus on undervalued securities. (Benchmark : NIFTY 500 TRI Index)</li> </ul> <p><b>HSBC Flexi Cap Fund - Flexi Cap Fund</b> – An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks.</p> <ul style="list-style-type: none"> <li>To create wealth over long term</li> <li>Investment in equity and equity related securities across market capitalizations. (Benchmark : NIFTY 500 TRI Index)</li> </ul> <p><b>HSBC Focused Fund (Erstwhile HSBC Focused Equity Fund) - Focused Fund</b> – An open ended equity scheme investing in maximum 30 stocks across market caps (i.e. Multi-Cap).</p> <ul style="list-style-type: none"> <li>Long term wealth creation</li> <li>Investment in equity and equity related securities across market capitalization in maximum 30 stocks. (Benchmark : NIFTY 500 TRI Index)</li> </ul>	 <p><b>RISKOMETER</b></p> <p>Investors understand that their principal will be at Very High risk</p>	 <p><b>RISKOMETER</b></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 31 May 2023

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