

## Product Note

## HSBC Multi Cap Fund (HMCF)

(Multi Cap Fund - An open ended equity scheme investing across large cap, mid cap, small cap stocks) March 2023

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM
Multi Cap Fund	Venugopal Manghat and Kapil Punjabi	NIFTY 500 Multicap 50:25:25 TRI	30 Jan 2023	Rs. 1228.38 Cr

## Access benefits in multiple market cycles through one fund

### Large Caps

Well researched Large Caps have visibility on earnings growth with proven business and track record

#### Mid Caps

Mid Caps are usually subject to mis-appraisal and mis-pricing as they are relatively under owned stocks

## Small Caps

Big opportunities through Small Caps as they may offer valuation discount on account of under-research/ under-owned

features

## Flexible

Flexible asset allocation strategy for part of assets help as fund can go overweight on certain market cap in favouable market cycle or Debt Securities & Money Market Instruments (MMI)

## **HSBC** Multi Cap Fund

The fund with a minimum weight in each Large, Mid and Small Caps (i.e. 25%) and flexi allocation to equity or debt/MMI upto 25% offers potential of better performance

## 



Large Cap - Leader Top 100 companies Mid Cap - Emerging Aspirants 101st to 250th companies

Small Cap - Pearls 251st company and beyond

Well established businesses

Matured players with long track record

High liquidity

versus Large Caps

Stable and less volatile

Source: HSBC Mutuall Fund

Potential Large Caps

Proven track record with higher growth prospects

Comparatively higher volatile

Potential valuation multiple re-rating candidates

Niche and emerging businesses

High potential for growth

Relatively more volatile and less liquidity

Higher research arbitrage

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Large Cap Large Caps are relatively stable with a lower downside risk and equipped to deliver better risk adjusted performance

Small Cap Emerging businesses with an opportunity to generate higher Alpha



Mid Cap Companies
Mid Caps companies have better
growth potential at reasonable
valuations with potential to generate
relatively higher performance

Flexible\*
Flexibility to go overweight
through dynamic exposure within
the market caps or invest in Debt
Securities & Money Market instruments

## Large Caps

## Top 100 Stocks

- Evolved business with track record
- Dominant big players
- Highly liquid in markets

## Mid Caps

#### 101st to 250th Stocks

- Emerging businesses
- Potential large caps of tomorrow
- High growth potential

  Moderately liquid

## Small Caps

## Beyond 250th Stocks

- Great growth potential
- High volatility and less liquid
- Under researched
- Potential multi baggers

#### Flexible<sup>^</sup>

Invest in any market cap or Debt Securities & Money Market instruments

Large Cap (25%) + Mid Cap (25%) + Small Cap (25%) + Flexible<sup>^</sup> (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 .

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





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, 2019and 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

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.

## **Product Label**

#### HSBC Multi Cap Fund

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

#### This product is suitable for investors who are seeking\*:

- 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)



principal will be at Very High risk



<sup>\*</sup> 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 28 Feb 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 28 Feb 2023

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HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra. GST - 27AABCH0007N1ZS, Email: investor.line@mutualfunds.hsbc.co.in | Website: www.assetmanagement.hsbc.co/in

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