



# HSBC India Next Portfolio

## PMS Product Note

March 2025

### Which themes can benefit the most in economic revival?

CONSUMPTION		GLOCAL		DIGITISATION		HIGH ALPHA
<ul style="list-style-type: none"> <li>Secular growth sector</li> <li>Conventional yet progressive theme</li> </ul>	+	<ul style="list-style-type: none"> <li>Play on MNCs in India</li> <li>Structural, long term theme</li> </ul>	+	<ul style="list-style-type: none"> <li>Disruptive and New age theme</li> </ul>	=	Disruptive themes combined with secular & progressive ones aim to have potential to deliver alpha

**Inception Date :** 18 February 2021

#### Minimum Application Amount

For (1) Fixed fee option and (2) Fixed & Performance-linked option = INR 5 million

#### Investment Objective

HSBC India Next Portfolio aims to generate returns and provide long term capital appreciation by investing in equity and equity related securities across market cap of businesses benefitting from transformation in Indian economy

#### Benchmark: BSE 500 TRI,

**Rationale for selection of benchmark –** Primary Benchmark prescribed by APMI as mandated by SEBI to evaluate relative performance of the portfolio. It is as per market cap based methodology for equity strategy.

#### Fund Manager

Sheetalkumar Shah, Total Experience: 28 years, managing this portfolio since 18 February 2021

#### Indicative tenure or investment horizon

Medium to Long Term (3 years+)

#### Description of types of securities

- Equity and equity related securities including convertible bonds and debentures and warrants carrying the right to obtain equity shares.
- Derivative instruments as may be permitted by SEBI / RBI.
- Units of liquid funds/overnight funds of HSBC Mutual Fund. Cash and cash equivalents
- Any other instruments as may be permitted by RBI / SEBI / such other Regulatory Authorities from time to time

Investors should note that pursuant to Clause 2.3 of Master Circular for Portfolio Managers dated June 7, 2024, an option to invest directly i.e. without intermediation of persons engaged in distribution services, is available to the investors.

#### Portfolio Manager's commentary:

Indian stock markets continued its losing streak for the fifth consecutive month with market breadth hitting five years low. FIIs continued their selling trend with Rs.58988 crores for the month and Rs.1.46 lakh crores in the first two months of calendar year. Factors such as moderate corporate earnings, domestic slowdown, global uncertainty, tight monetary conditions & adverse flows are contributing to this sharp correction. The introduction of trade tariffs by the US marks the beginning of ongoing trade tensions amid rising geo economic fragmentation.

On the policy front, the recent budget & RBI policy actions are in the right direction for economic growth. The personal tax cuts in the budget should boost the consumption. Monetary Policy has also turned dovish. RBI has distinctly put emphasis on growth in the last policy statement. Policy rate was cut by 25 bps from 6.5% to 6.25%. RBI is using all possible means of intervention to address tight liquidity. India's 3QFY25 GDP growth came at 6.2% yoy, contributed by recovery in consumption & investment.

Though in the near term, market volatility due to global tariff war, FII outflows will continue, it should stabilize considering the sharp correction in broader markets making valuations reasonable in many pockets of the market. In this kind of volatile environment, we have been holding on to cash levels in the portfolio since last three months.

Recently we added Nippon Life Asset Management (NAM) in the portfolio during the month. NAM, owned by Nippon Life Insurance Japan, manages a diverse range of investment products, including mutual funds, exchange-traded funds (ETFs), alternative investment funds (AIFs), and offshore funds. The company has maintained industry ranking of 4th Largest AMC based on QAAUM and No.1 non-bank sponsored MF in India. The company has average assets under management (AAUM) at Rs. 5,700 bn as of December 2024.

NAM has traditionally strong and granular retail franchise where it is gaining market share in SIPs. It is dominant player in passives with an estimated market share of 16.7%. NAM's equity AUM has been increasing consistently with its share of equity AUM from 42% to 51% during last five years. The improvement was led by rise in unique investors' customer base, a deep engagement with MFDs (107k+), and focused approach toward building the B30 base. Nippon's Equity market share continues to improve and increased to 7% of total industry equity AUM. This is the company's highest Equity market share post Dec-2020. As of December 2024, Nippon had 20 mn unique investors, capturing 38% market share in the overall industry. It derives 61% of its AUM from individual investors.

In 3QFY25, the company's SIP AUM contributed 58% of its total equity AUM, including Hybrid, surpassing the industry average of 29%. Nippon's market share in SIP flows increased to 12.9% in December 2024 from 6.1% in December 2021. Total SIP book for NAM stood at INR 1.4trn and its market share in total SIP AUM stood at 10.3%.

The company has strategically avoided NFOs compared to competition in the recent past which should help the company in the long term from investor's stickiness.

The company continues to be one of the largest ETF players with AUM of INR 1.50 trillion. The share of ETFs in overall industry AUM has increased to 18.1% in December 2024 from 6% in Mar'15. The company has a large suite of 24 ETF products and is a leader in the non-EPFO segment, commanding a 56% volume market share on the NSE and BSE. Additionally, in terms of folios, it has a 55% market share as of December 2024.

Scale benefits will improve profitability, leading to core earnings growth tracking AUM growth. We like NAM with its strong cash flow generation, high dividend payout ratio (90%) and superior RoE of 32%. The stock has corrected ~30% in last two months making valuations very attractive for this MNC asset management company. The significant under penetration in asset management industry compared to other developed countries would provide significant leeway for growth in the future for both the industry and the company.

#### Top 10 Holdings

Name	Weight%	Theme	ROE (FY24) %	EPS CAGR (2Yrs)
INTERGLOBE AVIATION LTD	6.00	Consumption	N/A	1.2
STATE BANK OF INDIA	5.87	Consumption + Digital	17.3	9.0
INDIAN HOTELS CO LTD	5.44	Consumption	14.4	32.3
PHOENIX MILLS LTD	5.01	Consumption	12.3	20.4
INFOSYS LTD	4.97	Digital	32.1	6.9
MARUTI SUZUKI INDIA LTD	4.94	GLOCAL+Consumption	18.3	23.8
PERSISTENT SYSTEMS LTD	4.78	Digital	24.5	27.5
TITAN CO LTD	4.21	Consumption	32.9	19.6
DLF LTD	4.19	Consumption	7.1	28.3
ZOMATO LTD	4.10	Consumption	1.8	135.6

Performance#	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since Inception
Portfolio (HINP)	-7.69 %	-13.07 %	-14.40 %	-5.59 %	15.84 %	11.73 %	12.92 %
BSE 500 TRI ^	-7.74 %	-12.24 %	-16.14 %	-0.41 %	17.84 %	12.65 %	13.11 %

Source – Bloomberg, Data as on 28 February 2025. Returns upto 1 year are absolute & over 1 year are Compounded Annualized. Returns are adjusted for inflows/outflows. The above information is for general information purpose only and it should not be considered as investment research, investment recommendation or advice to any reader of this content to buy or sell investments. The portfolio may or may not have any future position in these stocks. ^ Regulatory benchmark, #Refer page no. 2 for detailed disclaimer. To view the portfolio's performance relative to other Portfolio Managers, you may click here (APMI [apmiindia.org](http://apmiindia.org)).

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## Basis of selection of types of securities

The investment approach is to create long term wealth for investors by participating in companies from sectors that are likely to be beneficiaries of transformation in the Indian economy including themes such as, digitization, consumption, GLOCAL i.e. Global companies working in local markets, etc. The portfolio manager intends to do the same by buying equities of these businesses and hence, equity and equity related securities are chosen for investment. The portfolio manager may, from time to time, invest un-deployed funds in units of liquid funds/ overnight funds of HSBC Mutual Fund including cash and cash equivalents for cash management purposes

## \* For cash management and pending deployment in the portfolio

## Why invest in HSBC India Next Portfolio (HINP)?

### Fueled by focused themes

The portfolio aims to gain by focusing on the select themes such as Consumption, GLOCAL and Digitisation in a more concentrated manner that can propel growth.

### Growth with new age portfolio

HINP's allocation to Discretionary spending can offer above average growth over a long term. Allocation to Digitisation adds new age investment ideas.

### Earning visibility

Expected earnings acceleration can offer high alpha generation opportunities effectively.

### High conviction and concentration

High conviction and concentrated portfolio of HINP can provide high alpha generation opportunities with our portfolio construction process and TVSQ strategy. (TVSQ – Dominant Themes, Reasonable Valuations, Scalability & Sustainability and Management Business Quality)

## Sector Allocation

Sector Name	% of Net Assets
Consumer Discretionary	25.44
Financials	13.58
Information Technology	13.12
Industrials	9.64
Real Estate	9.21
Health Care	8.38
Energy	3.99
Consumer Staples	3.06
Utilities	3.06
Communication Services	2.63

## Market Capitalisation

Large Cap:	53.32%
Mid Cap:	21.20%
Small Cap:	17.59%
Avg. Weighted Market Capitalisation Rs. 2,82,576 Cr	
Median Market Capitalisation Rs. 1,06,486 Cr	
Large Cap: 1st 100 company in terms of full market capitalization. Mid Cap: 101st to 250th company in terms of full market capitalization. Small Cap: 251st company onwards in terms of full market capitalisation.	

## Portfolio Fundamentals & Attributes

Dividend yield FY24	0.8%	2 year EPS CAGR	15.4%
P/E FY24 estimates	55.0x	RoE FY24	16.8%
P/E FY25 estimates	43.8x	Beta:	1.0
P/E FY26 estimates	32.3x		

2 years EPS CAGR: FY24 to FY26 – Data as on 28 February 2025

## Investment Strategy

The portfolio strategy endeavors to capitalize on long term wealth creation opportunity by investing in select high growth potential businesses from sectors that are likely to be beneficiaries of transformation in the Indian economy including themes such as Digitisation, Consumption, GLOCAL i.e. Global companies working in local markets, etc. The portfolio would be market cap agnostic and would focus on select themes with potential to deliver alpha over medium to long term.<sup>&</sup> However, it is expressly clarified that clients are not being offered any guaranteed / assured returns and that the Portfolio Manager only endeavors to meet the investment objective

## HSBC India Next Portfolio offers high conviction, concentrated investment portfolio focused on sectors that are likely to be beneficiaries of transformation in the Indian economy

<sup>&</sup> The Portfolio Manager may also participate in the Securities Lending Scheme.

**Portfolio Disclaimer:** The portfolio attributes of the investment approach mentioned above are based on all clients' portfolios existing as on the date stated above, excluding any temporary cash investments, and does not represent the model portfolio being offered to the clients, including prospective clients, and hence it is possible that these stocks may not be part of the portfolios constructed for new clients. **The above information is for illustrative purpose only and it should not be considered as investment recommendation or advice or opinion from the Portfolio Manager on the above mentioned stocks/ sectors.** In no event shall the Portfolio Manager, its directors or employees or its affiliates have any liability for any financial impact to the recipient on account of use of the above information.

<sup>#</sup> **Past performance may or may not be sustained in future.** Time weighted - Daily valuation method is used for rate of return calculation. Returns up to 1 year are absolute & over 1 year are Compounded Annualized. The performance disclosed above is based on all clients' portfolios under the investment approach, existing as on the performance calculation date, using Time Weighted Rate of Return (TWRR) of each client. All cash holdings and investments in liquid funds are also considered for calculation of performance and the performance data is net of all fees and all expenses (including taxes). Since inception date stated above is the date on which the first client investment was made under the investment approach. Please note that the actual performance for a client portfolio may vary due to factors such as expenses charged, timing of additional flows and redemption, individual client investment restrictions, if any, etc. These factors may have an impact on client's portfolio performance and hence may vary significantly from the performance disclosed above. Neither the Portfolio Manager, nor its directors or employees shall in any way liable for any variation noticed in the returns of individual client portfolios. The performance related information provided herein is not verified by SEBI.

## Risk associated with investment approach

Deployment of monies under the investment strategy will be oriented towards equity and equity related securities of companies belonging to themes/sectors that are likely to be beneficiaries of transformation in the Indian economy including themes such as digitization, consumption, GLOCAL i.e. Global companies working in local markets, etc. and hence will be affected by risks associated with these industries as well as any factors that affect the broader macro-economic environment such as interest rate changes, liquidity, cross border fund flows, statutory/regulatory changes etc.

Since the portfolio is expected to be concentrated with exposure to select themes/sectors, it may perform differently from the broader stock markets/ benchmark but may still be impacted by broad market movements. It is likely that the portfolio may also experience period of volatile performance and liquidity challenges in view of the limited number of stocks invested in by the fund manager.

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