

# HSBC Aspire Portfolio

PMS Product Note

July 2025

## Emerging themes from Mid and Small Cap stocks to lead in the next decade

Mid Cap stocks		Small Cap stocks		Large Cap stocks		Aspirational themes with High Alpha
Emerging set of companies with growth potential. Midcap universe offers access to growing pool of leaders.	+	Big opportunities through Small Cap stocks as they may offer valuation discount on account of under-researched / under-owned features	+	Well researched Large Cap stocks have visibility on earnings growth with proven business and track record	=	Aim to build a portfolio with aspirational themes that have potential to deliver alpha from a Mid & Small Cap stocks oriented Multi Cap Equity strategy

### Aspirational themes from Mid and Small Cap stocks with flavor of quality Large Cap stocks

**Inception Date :** 21 September 2023

#### Minimum Application Amount

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

#### Investment Objective

HSBC Aspire Portfolio aims to generate long-term capital growth from an actively managed portfolio of equity and equity related securities predominately from the mid and small cap companies. However, the approach would also have the flexibility to invest in companies across the entire market capitalization spectrum. There can be no assurance or guarantee the objective of the investment approach would be achieved

**Benchmark:** Regulatory Benchmark/ Strategy Benchmark: BSE 500 TRI

#### Rationale for selection of benchmark –

Regulatory Benchmark/ Strategy Benchmark: Benchmark prescribed by Association of Portfolio Managers in India (APMI) as mandated by SEBI to evaluate relative performance of the portfolio. This is decided by APMI as per market-cap based methodology for equity strategy.

#### Fund Manager

Sheetalkumar Shah, Total Experience: 27 years, managing this portfolio since 21 September 2023

#### Indicative tenure or investment horizon

Medium to Long Term (5 years+)

#### Portfolio Manager's commentary:

After strong April & May, Indian markets continued upward momentum in the month of June. With entire quarter of strong up move, Nifty is barely 2.5% away from the all-time high levels. Even the Midcap and Small cap index continuing strong upward movement during June, both the indices are less than 3% from their respective all-time highs. With RBI cutting rates by 50bps and CRR by 100bps, favourable monsoon, expectation of strong festive and better 2HFY26 corporate outlook were key reasons for the rally. FII inflows continued for the fourth successive month; DII flows were also the highest in the last 5 months (Rs 727bn). As in May, promoter and strategic shareholder stake sales continued unabated in June – emerging as a notable supply source. If market conditions remain stable, increased supply from both primary and secondary markets is likely to hit the market and will remain a key factor to watch out for.

After a sharp correction in the broader markets in 4QFY25, we have witnessed strong up move in 1QFY26 in spite of Tariff related news flow, Indo-Pak & Israel-Iran conflict. A rare alignment of softening inflation, decisive RBI action, stable macros and strong government capex during first two months of FY26 give enough confidence for the healthy market conditions going ahead. Though broad market valuations are not cheap, they are far from bubble territory. We will be closely watching 1QFY26 quarterly results and management commentary for any portfolio reshuffling if necessary.

Aspire strategy outperformed the benchmark index handsomely during the quarter under review. We have made some changes in the portfolio during the quarter under review. We added Tips Music, Gravita India & DCB Bank while exited Voltas & Landmark Cars, brief rationale is given below.

Tips Music is one of India's leading music labels with widespread presence across leading global digital platforms such as YouTube, Spotify, Jio Saavan, Apple Music, Amazon Prime etc. Over the past decade, music industry witnessed significant transformation with digitization wave globally as well as in India. This led to sharp increase in content consumption. Tips, being one of the key music labels, has been the key beneficiary of this trend. The company has strong growth prospects driven by (i) Strong Industry tailwinds providing better monetization opportunities (ii) Diversified music catalogue (iii) Presence across digital platforms (iv) Prudent content acquisition strategy (v) Improved monetization in non-digital segments. The company is well-positioned to benefit from rising digital advertising trend which would surpass Rs. 800 bn by FY2026 with more than ~55% of total advertising, which would drive the revenue growth for the company.

Gravita India Limited is a prominent player in the global recycling industry, specializing in the recycling of lead, aluminum, plastic and rubber. The company operates through 13 strategically located recycling plants across the globe. The company is incurring a significant capex of over INR6bn to more than double the capacity over the next three years. The company enjoys multiple competitive advantages, such as strategically located manufacturing units, a deep procurement network, a diverse global customer base, and lower costs for building new facilities (through the in-house turnkey division). These advantages provide long-term growth visibility.

DCB Bank, a new generation private sector bank with balance sheet size of Rs. 768 bn has 464 branches across India. DCB's advances book is characterized by diversified and granular retail book targeting self-employed and MSME/SME retail segment with around 86% of loan book as on March 31, 2025, comprising small ticket loans of less than Rs. 30 Mn with 94% of advances book being secured. DCB is the one of the fastest growing bank with FY25 loan growth at ~25% YoY. The bank has been posting loan growth greater than 18% for the last 10 consecutive quarters and expected to grow to 21% CAGR for FY25-27 period. Its Cost-Income ratio has consistently decreased in last 4-5 quarters and further expected to go down in near term to around 60% levels in FY27. DCB Bank continues to trade at attractive valuations of 0.65x FY27 P/BV, offering a favorable risk-reward profile. DCB is expected to deliver strong loan CAGR of ~21% over FY25-27 with benign credit cost of ~60bps on account of minimal exposure to the unsecured segment.

We exited Voltas last month. Owing to the early onset of monsoon in most parts of the country and higher base last year, the RAC industry has witnessed a 20-25% decline in volumes during April and May 2025. As the first quarter is the best quarter for the RAC industry, Voltas revenue growth will be hampered for FY26. Another exit was Landmark Cars. Given the muted passenger vehicle demand in current financial year which would affect the growth of landmark and new showrooms/ workshops would take a year from hereon to stabilise and improve their margins, due to this the company will be facing margin pressure in FY26.

Our portfolio consists of high quality mid & small cap names that are likely to deliver better earnings growth in medium to long term. We believe that fundamental outlook for the portfolio companies remain robust.

Source - HSBC Asset Management India, Bloomberg

#### Top 10 Holdings

Name	Weight%
MAX FINANCIAL SERVICES LTD	6.38
ERIS LIFESCIENCES LTD	4.41
ECLERX SERVICES LTD	4.02
GODREJ PROPERTIES LTD	3.86
HINDUSTAN AERONAUTICS LTD	3.86
MANAPPURAM FINANCE LTD	3.81
360 ONE WAM LTD	3.77
FORTIS HEALTHCARE LTD	3.55
BANK OF BARODA	3.54
AADHAR HOUSING FINANCE LTD	3.41

Performance#	1 Month	3 Months	6 Months	1 Year	Since inception (21/09/23)
Portfolio (HSAP)	4.07 %	14.10 %	-2.27 %	-3.25 %	15.58 %
BSE 500 TRI ^	3.68 %	10.77 %	5.91 %	5.12 %	19.16 %

Source – Asset Management India, Bloomberg, Data as on 30 June 2025. 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. Data as on 30 June 2025. Investors should note that pursuant to Clause 2.3 of SEBI Master circular for Portfolio Managers dated June 7, 2024, investors have an option to invest directly i.e. without intermediation of persons engaged in distribution services.

^ Regulatory benchmark.

Source – Asset Management India, Bloomberg, 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. # 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))).

Description of types of securities		Market Capitalisation																																					
<p>Equity and equity related securities including convertible bonds and debentures and warrants carrying the right to obtain equity shares</p> <p>Derivatives instruments as may be permitted by SEBI / RBI</p> <p>Units of liquid funds/overnight funds of HSBC Mutual Fund</p> <p>Cash and Cash equivalents</p> <p>Any other instruments as may be permitted by RBI / SEBI / such other Regulatory authorities from time to time</p>		<table> <tr> <td><b>Sector Name</b></td><td><b>% of Net Assets</b></td><td></td><td></td></tr> <tr> <td><b>Financials</b></td><td>26.50</td><td>Small Cap :</td><td>44.04%</td></tr> <tr> <td><b>Industrials</b></td><td>16.26</td><td>Mid Cap:</td><td>33.56%</td></tr> <tr> <td><b>Materials</b></td><td>14.77</td><td>Large Cap:</td><td>16.63%</td></tr> <tr> <td><b>Consumer Discretionary</b></td><td>11.04</td><td>Avg. Weighted Market Capitalisation</td><td>Rs. 74,086 Cr</td></tr> <tr> <td><b>Health Care</b></td><td>7.96</td><td>Median Market Capitalisation</td><td>Rs. 39,001 Cr</td></tr> <tr> <td><b>Information Technology</b></td><td>6.33</td><td colspan="2" rowspan="5">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.</td></tr> <tr> <td><b>Real Estate</b></td><td>3.86</td></tr> <tr> <td><b>Utilities</b></td><td>2.68</td></tr> <tr> <td><b>Consumer Staples</b></td><td>2.53</td></tr> <tr> <td><b>Communication Services</b></td><td>2.30</td></tr> </table>		<b>Sector Name</b>	<b>% of Net Assets</b>			<b>Financials</b>	26.50	Small Cap :	44.04%	<b>Industrials</b>	16.26	Mid Cap:	33.56%	<b>Materials</b>	14.77	Large Cap:	16.63%	<b>Consumer Discretionary</b>	11.04	Avg. Weighted Market Capitalisation	Rs. 74,086 Cr	<b>Health Care</b>	7.96	Median Market Capitalisation	Rs. 39,001 Cr	<b>Information Technology</b>	6.33	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.		<b>Real Estate</b>	3.86	<b>Utilities</b>	2.68	<b>Consumer Staples</b>	2.53	<b>Communication Services</b>	2.30
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<p>Deployment of monies under the investment approach will be oriented towards equity and equity related securities of companies belonging to mid cap and small cap. Stocks of these companies usually have lower trading volumes on the exchanges, which may result into higher impact costs and longer execution time compared to large cap stocks. These companies tend to be less researched compared to large cap stocks and this may result into longer waiting period for the stock to reach their potential intrinsic value. A lot of smaller companies can be highly volatile and hence tend to have large up and down movements which may result in periods where the investor may see drawdowns. Further, small cap companies have higher opportunities of growth but these come with higher amount of risk as well and therefore, are suitable only for those investors who have higher risk appetite. It is likely that the portfolio may also experience period of volatile performance and liquidity challenges in view of its exposure towards mid and small cap companies. These companies will also be affected by the broader macro-economic environment such as interest rate changes, liquidity, cross border fund flows, statutory/ regulatory changes etc.</p>																																							
<p>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.</p>																																							
		<p><b>HSBC Aspire Portfolio</b></p> <p>HSBC Portfolio Management Services presents HSBC Aspire Portfolio, which aims to invest your money in emerging themes from Mid and Small Cap stocks to which may lead in the next decade.</p> <p><b>Why Mid and Small Cap stocks?</b></p> <ul style="list-style-type: none"> <li>Stocks from relatively new sectors are getting listed and many of these are mid - small cap stocks</li> <li>India gaining traction as a manufacturing source would mean opportunities for a lot of ancillary sectors which would be smaller in size</li> <li>Historically, Mid and Small Cap stocks have delivered reasonable performance over medium to long term</li> <li>Small and Mid Cap stocks are good options to hold emerging business leaders. More Mid-Small cap businesses are dependent on domestic factors</li> <li>Mid and Small Cap stocks offer potential of delivering growth and alpha in the long term</li> </ul> <p><b>Why Invest in HSBC Aspire Portfolio (HSAP)?</b></p> <p><b>Quality</b> The portfolio aims to gain by focusing on Quality Business with robust growth &amp; competitive advantages: High quality products, brands, franchise with scalability and resilience.</p> <p><b>Sustainability</b> Sustainable earning growth &amp; return ratios: We prefer companies with superior earnings growth profile with high ROE/ROCE with low gearing.</p> <p><b>Valuations</b> Fair Valuations: Identifying a scrip at fair value before its future earnings growth is reflected in its “valuation” is an art which helps in generating portfolio “Alpha”.</p> <p><b>Ownership</b> Promoter holding: Invests into businesses with reasonable promoter holding. The management with passion and have skin in the game are expected to deliver performance over the period of time.</p> <p><b>Governance</b> Corporate governance a key to long term success: Transparent, passionate &amp; honest management helps in multiplying wealth in the long term. Capital efficiency reflects the management skills.</p>																																					
		<p>Note - The above sector mentioned for illustration purpose only. The above data/information represents historic performance of the sector and for illustration purpose only. The above graphs/ analysis should not be construed as an investment advice or research report or recommendation to buy or sell any sector mentioned above. Past performance may or may not sustain and doesn't guarantee the future performance. For illustrative purposes only. The information above is provided by and represents the opinions of HSBC Asset Management and is subject to change without notice.</p> <p>Source – Bloomberg, Data as on 30 June 2025.</p> <p>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 information above is provided by and represents the opinions of HSBC Asset Management and is subject to change without notice. The above sector is mentioned for illustration purpose only. The above graphs/ analysis should not be construed as an investment advice or research report or recommendation to buy or sell any sector mentioned above.</p> <p><b>Past performance may or may not be sustained in future.</b> Time weighted - Daily valuation method is used for rate of return calculation. Returns up to 1 year are absolute &amp; 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.</p>																																					

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