

HSBC EVOLVE Portfolio

Grow with Micro themes under Macro trends

PMS Product Note

July 2026

Investment Approach: HSBC Evolve Portfolio

Investment Objective

The aim of the Portfolio is long term wealth creation from an actively managed portfolio of equity and equity related securities optimizing opportunities across the market capitalization spectrum without any sector bias. However, there can be no assurance or guarantee that the investment objective of the Approach would be achieved.

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 overnight funds /liquid 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.

Basis of selection of types of securities

- The investment approach seeks to invest in companies across the entire market capitalization spectrum without any sector bias. The portfolio manager intends to do the same by buying equities of these companies and hence, equity and equity related securities are chosen for investment. The portfolio manager will focus on companies which have potential to deliver high growth.

Allocation of portfolio across types of securities

The investment approach has the mandate to invest in Equity and Equity related instruments of Large, Mid and Small cap companies without any sector bias.

Benchmark index for comparison of performance

- Regulatory Benchmark/ Strategy Benchmark: BSE 500 TRI

Investors should note that pursuant to Clause 2.3 of SEBI Master Circular for Portfolio Managers dated July 16, 2025, an option to invest directly. i.e. without intermediation of persons engaged in distribution services, is available to the investors.

Portfolio Manager's commentary:

The market navigated a tough 1QFY27 (April to June 2026) as crude oil prices touched close to USD 118 per barrel; putting pressure on the rupee which touched a high of 96.82 versus the USD. At the same time there were concerns around delayed and weak monsoons for 2026. However, as we enter 2QFY27 (July to September 2027), the geopolitical crisis seems to be abating. Also as per recent trends, the monsoon appears to be on a revival. On the policy front the government along with the RBI have initiated a reforms towards widening capital access, improving market depth and strengthening financial intermediation. The key measures taken by them include: launching a special forex swap window FCNR deposits with full hedging cost support and CRR/SLR exemptions, supporting bank liquidity; and FPI reforms in government securities which aimed at improving bond-market access. Thus, outlook is turning favorable for India as we go ahead.

In the near to medium term, while the market will look to 1QFY27 earnings commentary of companies, there are two key themes to monitor. Firstly, the FII flow dynamics: Foreign selling has been a major factor constraining India's market performance over the past two years. If capital flows to the AI trade favored names reduce, we could see some positive foreign flows or even if net FII flows turn neutral, it can be positive. Secondly, we expect some large IPOs into the market (like NSE, ZEPTO, SBI Funds Management, JIO, PhonePe, and Oyo) which will test market liquidity. While strong DII flows have been able to absorb primary issues and FII outflows, a sustenance of the same will be key for market resilience.

When one looks at the past two years, we have seen the Indian markets have gone through a period correction and consolidation (with tariffs, elections, high oil prices). In FY26 corporate earnings growth of NIFTY companies of 5%, after almost 16% CAGR between FY20-25. Now with headwinds abating, we think there will be a revival in earnings from 2HFY27e and in FY28e, we could see a mid-teens earnings growth for NIFTY50.

The HSBC EVOVLE portfolio is positioned to capture the upside from the India story with large, mid and small caps being approximately 44%, 30% and 20% of the portfolio. From a sector perspective, we are overweight in financials, consumer discretionary, healthcare and real estate while underweight in staples, energy and utilities. We added APL Apollo Tube (on improving earnings trajectory and market share gains) into our portfolio, while we exited Hexaware Tech and Parag Milk Foods.

We are well placed across Red Oceans Winners which give stability to the portfolio (like telecom and large private banks), Blue Oceans – which are new themes (like internet and CDMO plays) and can be potentially growth stories. At the same time, there are some sectors and stocks which are seeing a cyclical revival, i.e. moving from pain to gain (like select NBFCs, small banks) and finally, beneficiaries of government reforms (like consumption stocks in autos, auto ancillaries, consumer durables).

We think a combination of the above will be able to generate wealth via compounding and re-rating over the long term for the patient investor.

Source -HSBC Asset Management India, Bloomberg

Top 10 Holdings

Name	Weight%	ROE (FY26) %	EPS CAGR (2Yrs)
ICICI BANK LTD	4.7	16.0	14.6
RR KABEL LTD	4.5	20.8	22.4
SHRIRAM FINANCE LTD	4.5	16.4	14.8
STATE BANK OF INDIA	4.0	15.4	10.9
BHARTI AIRTEL LTD	3.7	20.3	32.6
AU SMALL FINANCE BANK LTD	3.5	14.2	30.3
MULTI COMMODITY EXCH INDIA	3.5	56.3	24.0
KRISHNA INSTITUTE OF MEDICAL	3.2	11.0	68.7
APOLLO HOSPITALS ENTERPRISE	3.1	21.9	26.9
BAJAJ FINANCE LTD	3.1	18.1	26.0

Performance [#]	1 Month	3 Months	6 Months	Since inception (09/09/25)
Portfolio	3.60 %	17.87 %	0.69 %	1.83 %
BSE 500 TRI ^	1.73 %	12.10 %	-3.53 %	0.75 %

Investment Approach:
HSBC Evolve Portfolio

Rationale for selection of benchmark:

- This Investment approach is designed to offer broad based exposure across market capitalization and sectors in the Indian listed equity universe. BSE 500 TRI is suitably aligned with this investment approach.

Indicative tenure or investment horizon

- Medium to Long Term (3-5 years+)

Risk associated with investment approach

- The portfolio may perform differently from the broader stock markets/benchmark, in view of the limited number of stocks invested in by the fund manager. At times, Portfolios of individual clients may be concentrated in certain companies / industries. The performance of the Portfolios would depend on the performance of such companies / industries / sectors of the economy.
- Deployment of monies under the investment strategy will be oriented towards equity and equity related securities of companies belonging to various market capitalization which include large, mid and small cap. Stocks of mid and small cap 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.
- Also, in case the portfolio becomes more skewed towards the mid-small caps, this may increase volatility of the portfolio.

Sector Allocation

Sector Name	% of Net Assets
Financials	36.77
Consumer Discretionary	14.59
Industrials	13.56
Health Care	11.23
Materials	6.03
Information Technology	5.65
Communication Services	3.73
Real Estate	3.03

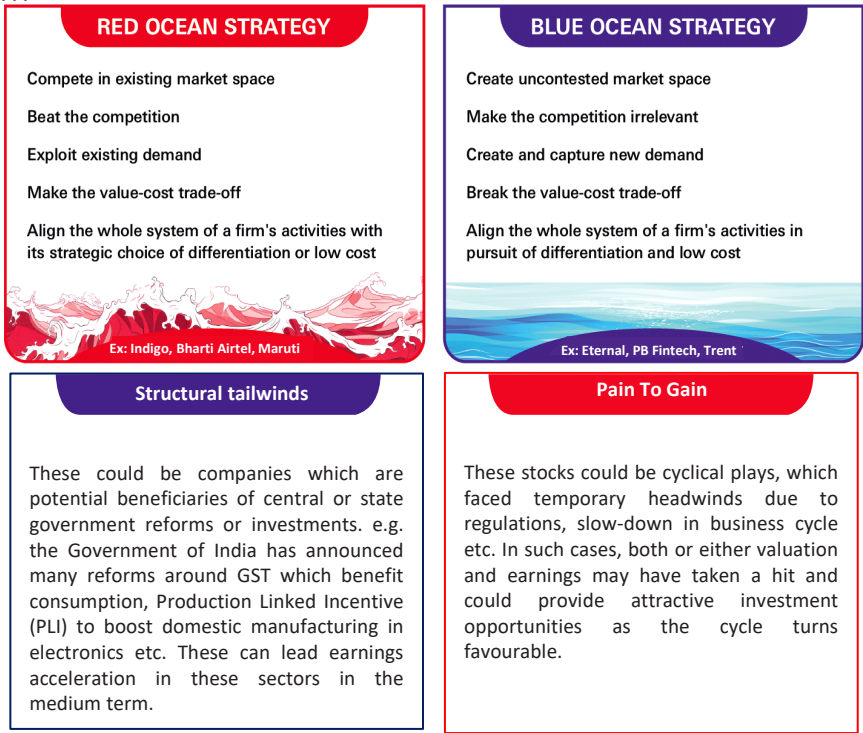
Market Capitalisation

Large Cap:	44.09%
Mid Cap:	30.21%
Small Cap:	20.29%
Avg. Weighted Market Capitalisation Rs. 2,35,446 Cr	
Median Market Capitalisation Rs. 75,009 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 FY26	0.6%	2 year EPS CAGR	28.2%
P/E FY26	44.7x	ROE FY26	16.0%
P/E FY27 estimates	38.2x	Beta:	1.0
P/E FY28 estimates	25.1x		
2 years EPS CAGR: FY26 to FY28			

Investment approach & Red Ocean Blue Ocean* (ROBO) Analogy



*W. Chan Kim and Renée Mauborgne, both INSEAD professors and leading thinkers in strategic management, introduced the Blue Ocean Strategy framework in their 2005 book, "Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant."

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