

# HSBC India Next Portfolio

PMS Product Note

May 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:

It is said that in stock market, uncertainty is the only certainty and April month proved this with two major events: US tariffs & terrorist attack in Kashmir creating volatility in the markets. Despite this, the markets have done well for two months in a row driven by second interest rate cut & ongoing cash injections by RBI, weaker USD, falling oil prices, foreigners' growing optimism about India's domestic demand and faster economic growth amongst emerging markets.

As far as tariffs are concerned, in the base case, we expect common sense to prevail and de-escalation of the tariff war begins over the next few months, thereby replacing steep hike in tariffs with moderate hikes via bilateral trade agreement negotiations. The new narrative of India becoming a bigger supplier to global (especially US) companies in the tariff-impacted world could add another leg to the long-term India story.

Recent deadly terrorist attack in Kashmir has created nervousness in market over the possibility of military confrontation. If we analyse past conflicts in terms of economic fallout, India's larger & resilient economy recovers faster after such clashes though it may have short term implications.

Interestingly, after relentless selling since the beginning of the calendar year, net FPI flows turned positive in the second half of April. A falling USD, positive flows towards emerging markets, and India's relative stability in the current tariff-induced uncertainty are factors that may help FPI flows.

RBI in its April policy cut repo rates by 25bps and change the stance to accommodative. The change in stance signals that further monetary easing lies ahead with concerns around growth stemming from global uncertainty and a relatively benign inflation outlook. Real GDP growth for FY26 is now projected at 6.5% from 6.7% earlier. The downward revision mainly reflects the impact of global trade and policy uncertainties. Lower oil prices support the INR, is good for inflation and will reduce input cost for end-user industry. Rate cut announced by the RBI and tax cuts announced in the budget could help in pick-up in consumption. Further, a good monsoon forecast is positive for rural demand and inflation. India's Manufacturing PMI in March 2025 moved to 8-month high. India's GST collections grew by 12.6% yoy in April 2025 and touched an all-time high of Rs2.36 lakh crore. Factors that could drive India's FY26E GDP growth includes rural demand, revival in urban consumption, increased government capital expenditure and healthy balance sheets of corporates and banks. On the other hand, exports may take a hit, given the ongoing global trade war.

We are closely watching 4Q result season and accompanying management commentary. Our HINP portfolio is skewed towards domestic facing sectors that could offer relative safety and potential outperformance in this tariff related uncertain scenario. It is futile to time market based on short term headlines rather maintain a long-term investment perspective to align with evolving market conditions and capitalize on growth potential.

We will deploy cash judiciously and reshuffle the portfolio to capitalize on emerging investment opportunities arising from valuation resets. We aim to build resilient portfolio capable of navigating future uncertainties effectively.

Source - HSBC Asset Management India, Bloomberg

### Top 10 Holdings

Name	Weight%	Theme	ROE (FY24) %	EPS CAGR (2Yrs)
INTERGLOBE AVIATION LTD	6.46	Consumption	N/A	5.4
STATE BANK OF INDIA	6.15	Consumption + Digital	17.3	8.1
INDIAN HOTELS CO LTD	5.52	Consumption	14.4	32.1
PHOENIX MILLS LTD	4.96	Consumption	12.3	19.8
PERSISTENT SYSTEMS LTD	4.83	Digital	24.5	26.8
MARUTI SUZUKI INDIA LTD	4.62	GLOCAL+Consumption	18.3	21.3
RELIANCE INDUSTRIES LTD	4.29	Digital+Consumption	9.2	6.6
TITAN CO LTD	4.26	Consumption	32.9	19.3
DLF LTD	4.10	Consumption	7.1	26.3
INFOSYS LTD	4.06	Digital	32.1	3.8

Performance#	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	Since Inception
Portfolio (HINP)	2.23 %	-0.16 %	-2.86 %	-0.65 %	18.39 %	14.16 %	15.41 %	14.50 %
BSE 500 TRI ^	3.18 %	2.15 %	-2.77 %	5.70 %	21.03 %	15.15 %	16.59 %	15.32 %

Source – HSBC Asset Management India, Bloomberg. Data as on 30 April 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)).

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	24.65
Financials	17.04
Information Technology	12.57
Industrials	10.21
Real Estate	9.06
Health Care	6.71
Energy	4.29
Consumer Staples	3.39
Utilities	3.19
Communication Services	2.52

Market Capitalisation

Large Cap:	53.69%
Mid Cap:	21.75%
Small Cap:	18.19%
Avg. Weighted Market Capitalisation Rs. 3,15,351 Cr	
Median Market Capitalisation Rs. 1,19,928 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	14.6%
P/E FY24 estimates	54.4x	RoE FY24	15.9%
P/E FY25 estimates	48.6x	Beta:	1.0
P/E FY26 estimates	36.9x		
2 years EPS CAGR: FY24 to FY26 – Data as on 30 April 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. 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

& 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.

# 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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