

# HSBC India Next Portfolio

PMS Product Note

May 2024

## 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

Growth themes may have potential to deliver sustainable growth

## HSBC India Next Portfolio (HINP)

Focus on Consumption | GLOCAL | Digitisation

**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:** Primary - S&P BSE 500 TRI, Secondary - BSE 200 Index. **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. Secondary benchmark – Since its composition is in line with the objective of the investment approach. Index is broad based and is also suited for comparing the performance of the portfolio.

### Fund Manager

Sheetalkumar Shah, Total Experience: 27 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 March 20, 2023, an option to invest directly i.e. without intermediation of persons engaged in distribution services, is available to the investors.

### Portfolio Manager's commentary:

Geopolitical tension kept the market on tenterhooks in April however the broad markets momentum continued especially in SMID space after a correction in the month of March. The general elections are being held in seven phases in India, market volatility is expected to rise reflecting the anticipation surrounding the world's biggest democracy determining its future government for the next five years. The election outcome will profoundly impact both the stock markets and the broader economic landscape. The above-normal monsoon rain outlook by the IMD should help revive rural markets and ease food inflation. 4QFY24 corporate result season is underway and the market will take cue from the results and the management commentary.

As a part of portfolio restructuring, we exited Tata Communications Ltd during the month. The company had a weak 4Q with organic digital portfolio revenue growth slowing down sharply to 5% yoy vs. double-digits in 9MFY24 led by weak demand environment. The recent acquisitions of Switch and Kaleyra weighed on its profitability and will take time to contribute meaningfully to the company's overall profitability. The management alluded to a cautious near-term demand outlook but maintained medium-term targets.

We have added another promising Tata group company, Tata Power under the consumption theme. The company is a big beneficiary of India's power sector growth opportunity with its major focus on renewables portfolio. The gap between supply and demand has been widening over the last few years. A continuation of electricity demand growth at ~6%+ levels over the next few years supports the roadmap and positive outlook of power capacity addition in India.

The company's recalibrated strategy involving tapping high-margin group captive RE opportunities, venturing into brownfield pumped hydro storage, expanding transmission business beyond distribution, and visible resolution of the Mundra issue, positions the company for accelerated growth. The management has given target of doubling (over FY23) its revenue & profitability by FY27, major contribution will come from renewables and T&D segments. It may benefit from the PM Suryodaya Yojna as it expects increased traction in solar rooftop installations. We believe that capacity addition for new thermal power plants, renewables (solar and wind) and pumped-hydro storage will see huge traction in the coming years. Tata Power is catering to these clean energy solutions with improved profitability.

### Top 10 Holdings

Name	Weight%	Theme	ROE (FY23) %	EPS CAGR (2Yrs)
STATE BANK OF INDIA	6.69	Consumption + Digital	16.7	7.5
PHOENIX MILLS LTD	5.76	Consumption	17.8	0.8
J.B. CHEMICALS & PHARMA LTD	5.67	Consumption	17.8	31.1
ABB INDIA LTD	5.55	GLOCAL	22.8	17.2
DLF LTD	5.47	Consumption	5.5	29.5
INTELLECT DESIGN ARENA LTD	5.08	Digital	13.8	31.5
INTERGLOBE AVIATION LTD	4.97	Consumption	NA	NA
MARUTI SUZUKI INDIA LTD	4.97	GLOCAL+Consumption	14.0	45.2
INDIAN HOTELS CO LTD	4.96	Consumption	13.3	32.6
TITAN CO LTD	4.58	Consumption	30.7	19.9

Performance <sup>#</sup>	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since Inception
Portfolio (HINP)	0.20%	8.37%	22.41%	41.11%	22.36%	21.32%	19.69%
BSE 500 TRI <sup>^^</sup>	3.44%	6.05%	25.01%	38.63%	20.19%	20.46%	18.50%
BSE 200 <sup>^^</sup>	2.67%	6.15%	24.10%	34.50%	17.68%	18.07%	15.97%

Source – 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. <sup>^</sup> Regulatory benchmark <sup>^^</sup> Secondary benchmark, Data as on 30 April 2024. #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](https://apmi.in)).

PUBLIC

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)

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.

**Disclaimer:** HSBC Asset Management (India) Private Limited is a SEBI registered Portfolio Manager with registration no. INP000001322. This document is for information purpose only. This document and information contained therein do not constitute distribution, endorsement, investment advice, offer to buy or sell or solicitation of an offer to buy or sell any securities or any other financial or investment products (collectively "Products") mentioned in this document or an attempt to influence the opinion or behavior of investors/ recipients. Any use of information contained herein for investment related decisions by the investors/ recipients is at their sole discretion and risk. Please read Disclosure Document and client agreements along with other related documents carefully before investing. Investment in Products is subject to market risks, various micro and macro factors and forces affecting the capital markets and include price fluctuation risks. There is no assurance or guarantee that the objective of any Products will be achieved. The investments may not be suited for all categories of investors/ recipients. Investors/ recipients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors, as they believe necessary, before investing in such Products. This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor HSBC Asset Management India Private Limited have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so. © Copyright. HSBC Asset Management (India) Private Limited 2024, ALL RIGHTS RESERVED. HSBC Asset Management (India) Private Limited, 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063, India. Email: hsbcpms@hsbc.co.in | Website: www.assetmanagement.hsbc.co.in

Sector Allocation

Sector Name	% of Net Assets
Financials	22.22
Consumer Discretionary	17.95
Information Technology	12.41
Real Estate	11.23
Industrials	10.53
Health Care	8.56
Energy	4.57
Consumer Staples	3.21
Utilities	2.97

Market Capitalisation

Large Cap:	58.52%
Mid Cap:	24.39%
Small Cap:	10.75%
Avg. Weighted Market Capitalisation Rs. 3,20,226Cr	
Median Market Capitalisation Rs. 1,62,031 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 FY23	0.6%	2 year EPS CAGR	29.6%
P/E FY24 estimates	59.9x	RoE FY23	18.2%
P/E FY25 estimates	38.8x	Beta:	0.90

2 years EPS CAGR: FY23 – 25, Data as on 30 April 2024

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.