HSBC Asset Management

HSBC India Next Portfolio

PMS Product Note

August 2025

Which themes can benefit the most in economic revival?

CONSUMPTION		GLOCAL		DIGITISATION		HIGH ALPHA
• Secular growth sector Conventional yet progressive theme	+	• Play on MNCs in India Structural, long term theme	+	• Disruptive and New age theme	=	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 equities declined in July month after four months' rally. FIIs remained sellers to the tune of Rs. 247 bn during the month after four consecutive months of inflows. DII flows remained strong at Rs 616 bn in July. The recent announcement from the Trump administration to impose a 25% tariff alongwith additional penalties on India was another factor for market nervousness. Another key risk to equity market performance is the continued surge in supply, driven by IPOs, qualified institutional placements (QIPs), and promoter sell-downs - a trend that was seen in late 2024 as well and which contributed to market weakness then. Global volatility may persist due to ongoing tariff negotiations and geopolitical risks; however, India remains well-positioned to weather these challenges in the medium to long term. 1QFY26 earnings season shows some weakness in consumption, muted IT services demand and weaker loan growth for banks. Aggregate earnings are broadly in line with market estimates so far. We are keenly watching the results and subsequent management commentary for any portfolio realignment wherever necessary.

We exited Infosys post its quarterly result. With no signs of improvement in the demand scenario, clients being cautious on their discretionary spending and muted growth guidance by the company, it is prudent to redeploy the money in alternate promising idea. In place of this, we added Affle 3i Ltd, a global ad-tech company with a proprietary consumer intelligence platform that delivers consumer recommendations and conversions through relevant mobile advertising. It has built a strong presence in programmatic digital advertising for mobile devices with a differentiated Cost Per Converted User (CPCU) model. Affle's CPCU model ensures that advertisers pay only for actual conversions, making it a cost-efficient alternative to traditional digital ad models based on impressions or clicks. AI-driven Affle2.0 platform integrates machine learning, predictive analytics, & omnichannel engagement, optimizing ad targeting & campaign effectiveness. As a niche player in the CPCU segment, Affle is shaping the market itself, benefiting from increasing digital adoption by traditional companies. The market's rapid expansion, driven by shifts in consumption and targeted marketing, supports Affle's growth. The company generates 73% of its revenue from emerging markets including India & 27% from developed markets.

Affle is positioned to benefit from favourable macro trends in digital advertising, including the growing adoption of Connected TV (CTV), the rise of mobile commerce, and increasing demand for privacy-compliant ad targeting solutions. Affle has built a strong mobile-first digital advertising platform through its proprietary technology, acquisitions and ongoing R&D. It has shown consistent performance in both its core and acquired businesses.

Affle has demonstrated consistent revenue and profit growth (revenue by 4.4x times, EBITDA & PAT by 3.7x times in last five years), driven by its CPCU-based monetization model and AI-powered ad-tech solutions which improves the conversion rate. With a strong pipeline of new advertiser partnerships, product innovations, and regional expansion, Affle is well-positioned for long-term revenue growth. We believe, in the face of dynamic market tailwinds, Affle stands well-prepared to capitalise on the emerging opportunities across the digital landscape. Affle today stands at the forefront of mobile performance marketing. The market is expanding fast and the same will led to expansion in Affle's use cases. Shift in consumption patterns and inclination towards targeted marketing and advertising will be propellers.

Source - HSBC Asset Management India, Bloomberg

Top 10 Holdings

Name	Weight%	Theme	ROE (FY25) %	EPS CAGR (2Yrs)
INTERGLOBE AVIATION LTD	6.79	Consumption	127.7	14.4
STATE BANK OF INDIA	5.80	Consumption + Digital	17.3	4.5
INDIAN HOTELS CO LTD	4.84	Consumption	18.5	14.5
DLF LTD	4.46	Consumption	10.7	10.7
MARUTI SUZUKI INDIA LTD	4.42	GLOCAL + Consumption	15.7	12.5
SHRIRAM PISTONS & RINGS LTD	4.37	Consumption	23.5	15.4
ETERNAL LTD	4.29	Consumption	2.1	138.3
FORTIS HEALTHCARE LTD	4.24	Consumption	9.3	30.4
PHOENIX MILLS LTD	4.12	Consumption	9.9	31.2
RELIANCE INDUSTRIES LTD	3.94	Digital + Consumption	8.5	15.6

Performance#	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	Since Inception
Portfolio (HINP)	-2.03 %	6.98 %	6.82 %	0.55 %	14.40 %	15.59 %	13.23 %	15.36 %
BSE 500 TRI ^	-2.71 %	4.44 %	6.69 %	-2.08 %	16.63 %	16.89 %	14.82 %	15.52 %

Source – HSBC Asset Management India, Bloomberg, Data as on 31 July 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)).

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	24.72
Financials	17.19
Industrials	12.88
Real Estate	8.58
Information Technology	7.11
Health Care	7.01
Communication Services	5.11
Energy	3.94
Consumer Staples	3.16
Utilities	3.07

Market Capitalisation

Large Cap:	53.55%
Mid Cap:	15.18%
Small Cap:	24.04%

Avg. Weighted Market Capitalisation Rs. 2,90,132

Cr Median Market Capitalisation Rs. 1,05,441 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 FY25	0.6%	2 year EPS CAGR	16.8%
P/E FY25 estimates	50.1x	RoE FY25	24.6%
P/E FY26 estimates	46.3x	Beta:	1.1
P/E FY27 estimates	31.8x		

2 years EPS CAGR: FY25 to FY27 – Data as on 31 July 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 and is not a guarantee of any future returns.
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.