

HSBC Asset Management

HSBC EVOLVE Portfolio

Grow with Micro themes under Macro trends

PMS Product Note

October 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:

Indian equity markets experienced a volatile Q2 FY27 (July–September 2026), navigating a macro shift defined by sticky inflation, rising global interest rates, and elevated crude prices. Backed by solid earnings momentum from Q1 FY27 (April–June 2026) and a resilient domestic GDP print, markets initially pushed higher before monetary tightening realities and high oil prices caught up. September witnessed sharp profit-taking as Foreign Portfolio Investors (FPIs) turned net sellers (~ USD 4 bn) following net buying in July–August (~USD 5 bn), triggering a multi-week correction. Throughout this volatility, Domestic Institutional Investor (DII) flows continued to show strength, absorbing the pressure (+ve flows of ~USD 17.8 bn). The market is also navigating policy shifts in terms of CAS, insurance regulations and price caps for hospitals, which has led to volatility and corrections in some sections of the market.

Looking ahead, market sentiment over the coming quarter will be anchored by two primary catalysts: the U.S. Midterm Elections and the progression of domestic Q2 earnings. Domestically, we remain focused on high-frequency consumption indicators and festive demand trends to ensure our portfolio stays aligned with high-conviction compounders while remaining positioned for structural upside.

The recent correction has meaningfully improved the risk-reward profile of Indian equities through two lenses:

Valuation Buffer: The Nifty 50 one-year forward P/E has moderated to ~17.2x, trading at a compelling 18% to 20% discount to its long-term average.

The Global Tech / AI Rotation Risk & Opportunity: Protracted consolidation in Indian equities over recent cycles has compressed India's weighting in broader emerging market indices, as international capital heavily chased AI-led tech markets like Korea and Taiwan. However, with mounting structural scrutiny over monetization, sustainability, and potential fatigue of global AI infrastructure spending, any cooling or rotation away from the tech-heavy EM trade could redirect institutional focus back toward high-growth, domestic-consumption economies.

As global macro headwinds stabilize and structural reform-driven GDP resilience persists, India is well-positioned for a powerful relative performance reversal.

The HSBC EVOVLE portfolio is positioned to capture this upside from the India story with large, mid and small caps being approximately 42%, 30% and 26% 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. In this quarter, we exited from UPL Ltd. and added the following stocks to our portfolio,

A) WeWork India Management Limited – which stands out as a leader in India's fast-growing flexible workspace sector. Its premium brand, strategic locations in Grade A buildings, and strong enterprise client base enable the company to command industry-leading pricing and margins. Backed by the Embassy Group and leveraging the global WeWork network, the company is uniquely positioned to benefit from the accelerating shift toward flexible workspaces among corporates and multinationals.

B) Welspun Corp - with manufacturing presence in key demand regions - US (LNG Export, Data Center) and KSA (Vision 2030, Hormuz diversification), is well placed to benefit from ongoing pipeline infra expansion. Recent order win of US $1.8bn is a testament to its capability and preference for local presence.

C) Shadowfax Technologies – which has established itself as one of the leading 3PL players in India with its e-commerce shipment market share surging from ~8% in FY22 to ~28-30% in June 26, alongside leadership in high-complexity segments such as reverse logistics, same-day deliveries and quick commerce.

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).

Source -HSBC Asset Management India, Bloomberg

Top 10 Holdings

Name	Weight%	ROE (FY26) %	EPS CAGR (2Yrs)
ICICI BANK LTD	4.5	15.9	16.5
SHRIRAM FINANCE LTD	4.2	16.4	15.3
MULTI COMMODITY EXCH INDIA	4.0	56.3	23.9
STATE BANK OF INDIA	3.7	16.2	12.5
BHARTI AIRTEL LTD	3.5	20.3	36.9
AU SMALL FINANCE BANK LTD	3.4	14.2	30.0
SAI LIFE SCIENCES LTD	3.4	15.1	26.1
RR KABEL LTD	3.1	20.8	32.4
SJS ENTERPRISES LTD	2.9	22.1	28.5
APOLLO HOSPITALS ENTERPRISE	2.9	21.9	28.5

Performance#	1 Month	3 Months	6 Months	1 Year	Since inception (09/09/25)
Portfolio	-5.42 %	1.21 %	19.29 %	4.91 %	2.89 %
BSE 500 TRI ^	-5.57 %	-3.59 %	8.07 %	-2.33 %	-2.71 %

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

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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	35.37
Consumer Discretionary	15.42
Industrials	13.73
Health Care	11.04
Information Technology	6.90
Materials	6.86
Real Estate	4.41
Communication Services	3.50

Market Capitalisation

Large Cap:	41.86%
Mid Cap:	29.45%
Small Cap:	25.92%

Avg. Weighted Market Capitalisation Rs. 2,20,001 Cr

Median Market Capitalisation Rs. 76,701 Cr

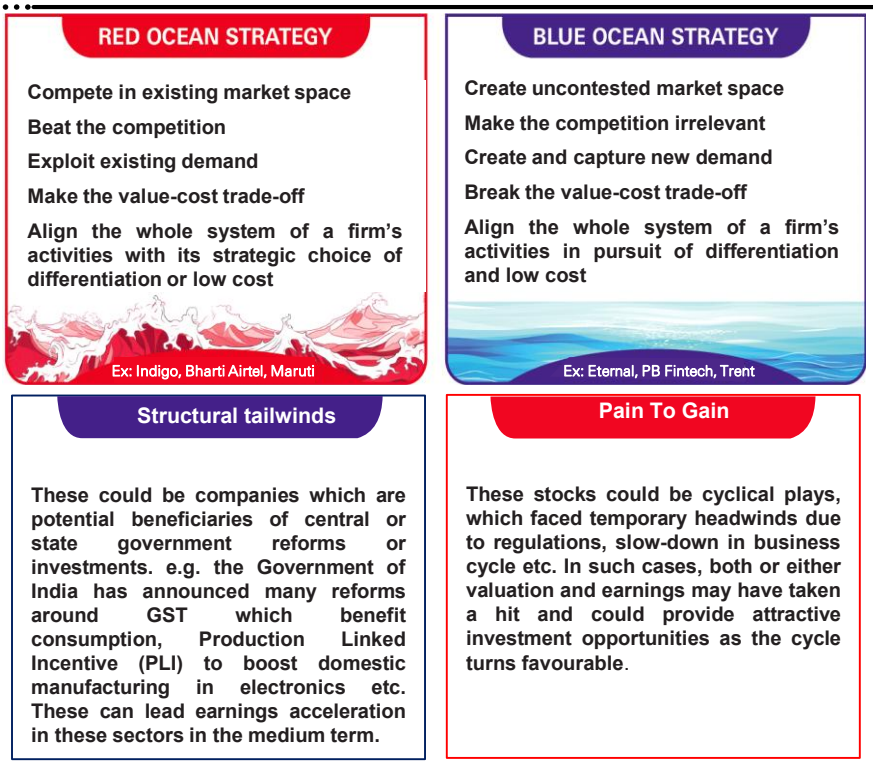
Large Cap:1st 100 company in terms of full market capitalization. Mid Cap: 101st to 250th company in terms of full market capitalization. Small Cap: 251st company onwards in terms of full market capitalisation.

Portfolio Fundamentals & Attributes

Dividend yield FY26	0.6%	2 year EPS CAGR	29.9%
P/E FY26	48.8x	ROE FY26	17.5%
P/E FY27 estimates	37.4x	Beta:	1.0
P/E FY28 estimates	26.3x		

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."

 # Past performance may or may not be sustained in future and is not a guarantee of any future returns.

The performance related information provided herein is not verified by SEBI.

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