

HSBC EVOLVE Portfolio

Grow with Micro themes under Macro trends



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:

Though the calendar year 2026 started with volatility given the continued selling by FIIs and India under-performing global peers, the conclusion of the much-anticipated India US trade agreement can be a potential inflection point for markets. It gives India's export ecosystem, sustained preferential access to an approximately USD 30 trillion U.S. market. India now enjoys a tariff advantage versus competing exporters countries, across labor-intensive, industrial, and high-value product categories. This should revive some private capex investments which were in abeyance given the uncertainty around the time frame of the same. The same should also get a thrust from India EU FTA and trade agreements with other partner countries which were concluded recently.

While markets reacted negatively to the increase in the STT in futures and options in the Union Budget, the Government stayed the course on fiscal consolidation, even as the pace moderated, given the revenue constraints. The government budgeted GFD/GDP at 4.3% (debt/GDP at 55.6%), led by an 8% increase in gross tax revenues, a 7% increase in revenue expenditure and a 12% increase in capex.

The current earnings season (3QFY26) is in line with expectations so far with revenue growth of 11% and PAT growth of 14% for the universe that comprises 42% of India's market capitalisation.

The HSBC EVOVLE portfolio is positioned to capture the upside from the India story with large, mid and small caps being approximately 43%, 28% and 18% 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 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 (FY25) %	EPS CAGR (2Yrs)
ICICI BANK LTD	4.6	17.8	10.0
SHRIRAM FINANCE LTD	4.4	18.6	5.2
AU SMALL FINANCE BANK LTD	4.4	14.2	28.6
BHARTI AIRTEL LTD	4.0	34.3	54.5
STATE BANK OF INDIA	3.8	17.3	6.4
MUTHOOT FINANCE LTD	3.8	19.7	39.5
ASHOK LEYLAND LTD	3.5	32.5	18.2
MULTI COMMODITY EXCH INDIA	3.1	34.3	66.9
BAJAJ FINANCE LTD	2.8	19.2	22.9
RR KABEL LTD	2.6	15.7	40.2

Performance#	1 Month	3 Months	Since inception (09/09/25)
Portfolio (HSAP)	-2.84 %	-2.57 %	-1.73 %
BSE 500 TRI ^	-3.34 %	-2.64 %	0.95 %

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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	37.62
Consumer Discretionary	14.95
Industrials	9.75
Health Care	8.64
Information Technology	7.54
Materials	4.19
Communication Services	3.99
Real Estate	1.82
Consumer Staples	1.19

Market Capitalisation

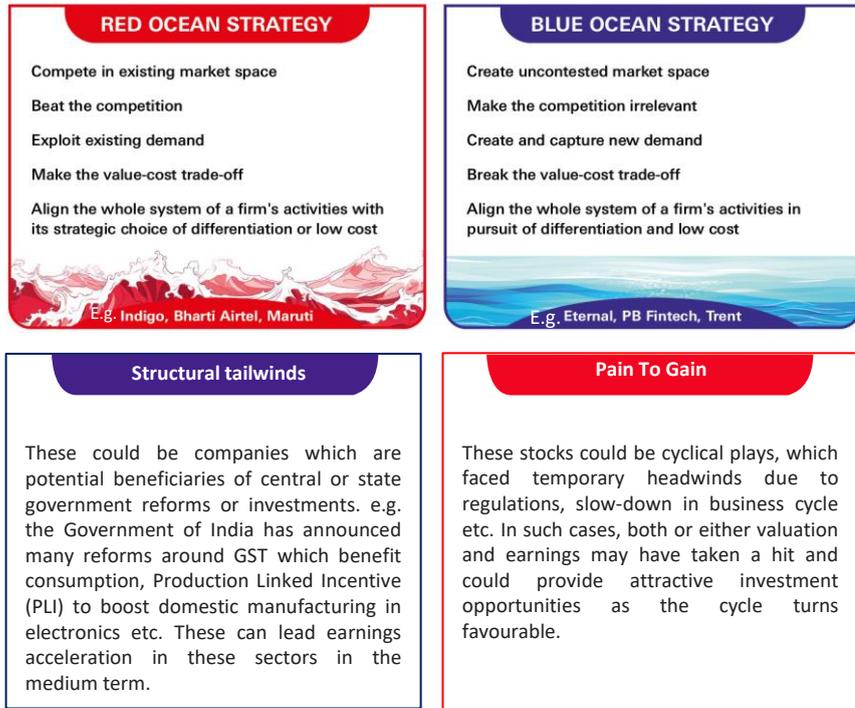
Large Cap:	42.93%
Mid Cap:	28.29%
Small Cap:	18.47%
Avg. Weighted Market Capitalisation Rs. 2,20,154 Cr	
Median Market Capitalisation Rs. 68,942 Cr	
Large Cap: 1st 100 company in terms of full market capitalization. Mid Cap: 101st to 250th company in terms of full market capitalization. Small Cap: 251st company onwards in terms of full market capitalisation.	

Portfolio Fundamentals & Attributes

Dividend yield FY25	0.6%	2 year EPS CAGR	25.5%
P/E FY25	34.5x	ROE FY25	19.0%
P/E FY26 estimates	44.5x	Beta:	0.9
P/E FY27 estimates	24.9x		

2 years EPS CAGR: FY25 to FY27

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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