



HSBC India Next Portfolio

PMS Product Note

February 2025

Which themes can benefit the most in economic revival?

CONSUMPTION		GLOCAL		DIGITISATION		HIGH ALPHA
<ul style="list-style-type: none"> Secular growth sector Conventional yet progressive theme 	+	<ul style="list-style-type: none"> Play on MNCs in India Structural, long term theme 	+	<ul style="list-style-type: none"> 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:

India is a unique country where both vibrancy of music concerts and spiritual immersion of the Maha Kumbh draw big crowd and drives economy! Though long-term India structural story remains intact, short-term pain is visible in stock markets. Indian Stock markets continued its losing streak with its fourth consecutive monthly loss, the longest streak since September 2001 driven by persistent FII selling, uncertainty around tariffs under Trump 2.0, a depreciating rupee and domestic growth concerns. FIIs sold \$8.4bn of equities in January month, recording its second-highest monthly outflow after Oct-24. DIIs remained net buyers for the 18th consecutive month, with strong inflows of \$10bn. Trade war initiated by the US levying tariff on Mexico, Canada & China and further threat of imposing tariff on EU region is likely to add further uncertainty in global economy. Valuation correction in certain pockets of the markets especially theme-based stocks may continue as these stocks have long been trading at high valuations factoring very strong earnings growth.

The recently announced union budget has pivoted towards consumption stimulus. In a strategic move to energize the economy, the budget has proposed tax reforms aimed at increasing personal disposable income and stimulate consumption. In the backdrop of global landscape marred by the threat of "retreating globalization" and domestic economy grappling with inflation and subdued growth, the budget addresses pressing concerns of the nation, putting spotlight on the middle-class, the backbone of India's growth & development. The budget has deftly managed both growth & fiscal discipline by boosting consumption engine while sticking to fiscal prudence. It put more money in the hands of people by realigning tax slabs (Rs.1tn higher disposable income), increasing allocation for rural schemes and enhancing credit limit for KCC (Kisan Credit Card) farmers. Consumption being one of the major themes of our HINP strategy, many quality stocks with focus on discretionary consumption are big beneficiary of this announcement in the long run.

3QFY25 corporate earnings season is in full swing. Around 133 companies in BSE200 (73% of market cap) have reported their Q3 results so far. Net sales growth held up at 5.5% YoY vs 4.6% in Q3, while EBIT growth improved to 9% YoY vs a decline of 4% in Q2. Ex-Energy/ Metals, the trend is better with sales growth at 10% and EBIT growth at 13%. Overall, positive surprises (vs expectations) were few, with misses concentrated in Autos and Energy.

We have undertaken partial profit booking in stocks such as Persistent Systems, Indian Hotels & Zomato Ltd during the month. The current cash level in the portfolio is high and we will judiciously deploy it after analysing 3Q FY25 results. As we navigate this promising yet complex environment, the choices we make in the portfolio based on disciplined investment approach with focus on cash flows, sustainable earnings growth trajectory and management quality will determine the risk adjusted returns in the medium to long term.

Top 10 Holdings

Name	Weight%	Theme	ROE (FY24) %	EPS CAGR (2Yrs)
STATE BANK OF INDIA	6.07	Consumption + Digital	17.3	10.6
INDIAN HOTELS CO LTD	5.35	Consumption	14.4	31.3
INTERGLOBE AVIATION LTD	5.33	Consumption	N/A	1.3
INFOSYS LTD	5.09	Digital	32.1	6.9
PERSISTENT SYSTEMS LTD	5.02	Digital	24.5	26.9
PHOENIX MILLS LTD	4.89	Consumption	12.3	27.0
MARUTI SUZUKI INDIA LTD	4.68	GLOCAL+ Consumption	18.3	23.6
DLF LTD	4.52	Consumption	7.1	26.7
TITAN CO LTD	4.40	Consumption	32.9	20.3
ABB INDIA LTD	3.99	GLOCAL	22.8	28.1

Performance#	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since Inception
Portfolio (HINP)	-6.47 %	-2.71 %	-5.87 %	7.84 %	20.45 %	13.20 %	15.51 %
BSE 500 TRI ^	-3.43 %	-4.82 %	-8.23 %	9.73 %	20.98 %	14.17 %	15.71 %

Source – Bloomberg, Data as on 31 January 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).

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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	24.85
Information Technology	13.89
Financials	10.91
Real Estate	9.41
Industrials	9.32
Health Care	7.74
Energy	3.88
Utilities	3.02
Communication Services	2.90
Consumer Staples	2.68

Portfolio Fundamentals & Attributes

Dividend yield FY24	0.6%	2 year EPS CAGR	17.1%
P/E FY24 estimates	52.7x	RoE FY24	16.0%
P/E FY25 estimates	47.0x	Beta:	0.9
P/E FY26 estimates	33.4x		

2 years EPS CAGR: FY24 to FY26 – Data as on 31 January 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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