

HSBC EVOLVE Portfolio

Grow with Micro themes under Macro trends

April 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:

The focus for the quarter was the war in the middle east and markets saw a steep correction of -11.3% in March 2025 (for BSE 500TR Index). At the time of writing this newsletter (April 8 ,2005) there was a ceasefire announcement, and markets have recovered nearly half the losses, with Brent crude oil prices coming off from \$ 118 per barrel to \$ 95 per barrel. The key concern in the ongoing crises was the "closure" of Strait of Hormuz, through which approximately 33% of world's crude oil, fertilizer and methonal supplies were transported and thus, it's cascading impact not just on prices but also supply chains globally.

With geopolitical issues subsiding the focus would now shift to earnings commentary and growth expectations for FY27. While NIFTY earnings are expected to grow in mid-teens and there could be cuts due to rise in average energy costs. On the positive side we see, valuations have moderated and thus, with a favorable base of FY26; should make FY27 an attractive year for Indian equities. From a flow perspective FII flows were negative with an outflow of 13.3 USD billion in March 2026, while DII flows continue to resilient with about 15.4 bn USD in March 2026 backed by an unwavering SIP run-rate.

On the macro front despite the uncertainties and tariff challenges, net FDI has modestly recovered to \$4bn in 9M FY26 from \$0.4bn in 9M FY25, after falling to a decade-low of \$1bn in FY25. Further, on 10th Mar'26, the govt. eased provisions under Press Note 3 to streamline approval processes for investments from neighboring countries while retaining security checks, a move that could meaningfully revive FDI inflows from China. These should accelerate investments by corporates, which will also help in job creation and consumption. From a domestic economy perspective, GDP growth for Q3FY26 came in at 7.8%. The RBI in its monetary policy (on April 8, 2026) expects GDP to grow 6.9% for FY27, which is resilient in the current context.

The HSBC EVOVLE portfolio is positioned to capture the upside from the India story with large, mid and small caps being approximately 48%, 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 added Axis Bank (on improving business metrics) and TD Power (a high quality franchise in the power conversion value chain) into our portfolio, while we exited Godfrey Phillips and City Union Bank.

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	4.8	17.8	9.7
STATE BANK OF INDIA	4.4	17.3	8.4
SHRIRAM FINANCE LTD	4.4	18.6	4.9
BHARTI AIRTEL LTD	4.2	34.3	37.8
MULTI COMMODITY EXCH INDIA	3.4	34.3	68.8
AU SMALL FINANCE BANK LTD	3.3	14.2	28.5
ASHOK LEYLAND LTD	3.1	32.5	21.6
APOLLO HOSPITALS ENTERPRISE	3.1	19.1	31.3
JK CEMENT LTD	2.9	15.0	21.9
MUTHOOT FINANCE LTD	2.9	19.7	43.5

Performance#	1 Month	3 Months	6 Months	Since inception (09/09/25)
Portfolio (HSAP)	-12.43 %	-14.58 %	-12.06 %	-13.61 %
BSE 500 TRI ^	-11.37 %	-13.94 %	-9.62 %	-10.12 %

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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	36.73
Consumer Discretionary	15.19
Industrials	12.31
Health Care	10.64
Information Technology	6.53
Materials	4.72
Communication Services	4.18
Real Estate	2.53
Consumer Staples	0.98

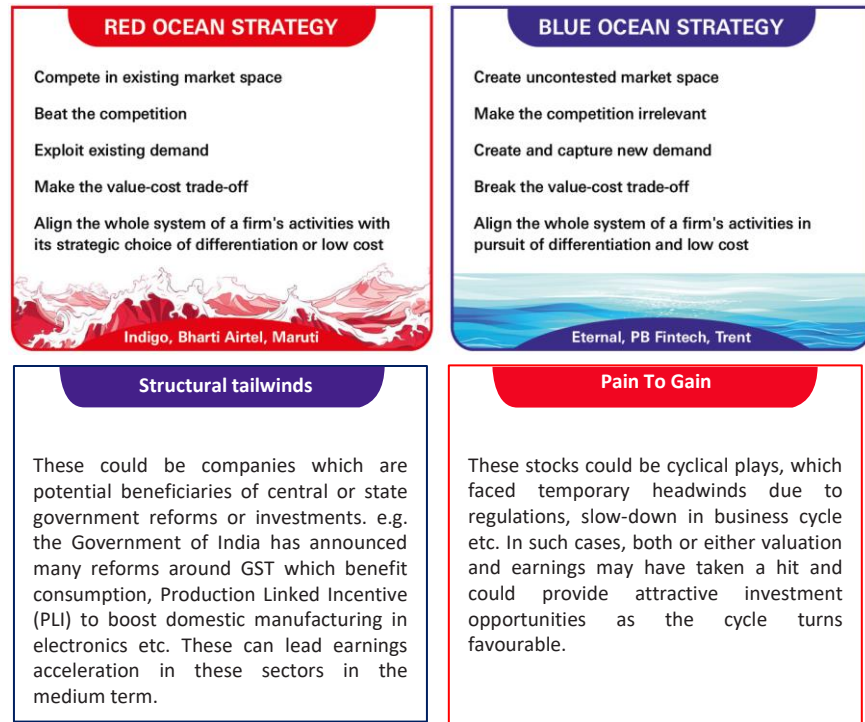
Market Capitalisation

Large Cap:	48.07%
Mid Cap:	27.91%
Small Cap:	17.83%
Avg. Weighted Market Capitalisation	Rs. 2,14,026 Cr
Median Market Capitalisation	Rs. 63,056 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	0.7%	2 year EPS CAGR	23.4%
P/E FY25	38.8x	ROE FY25	20.4%
P/E FY26 estimates	44.0x	Beta:	1.0
P/E FY27 estimates	25.5x		
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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