



# HSBC India Next Portfolio

PMS Product Note

January 2025

## Which themes can benefit the most in economic revival?

CONSUMPTION		GLOCAL		DIGITISATION		HIGH ALPHA
<ul style="list-style-type: none"> <li>Secular growth sector</li> <li>Conventional yet progressive theme</li> </ul>	+	<ul style="list-style-type: none"> <li>Play on MNCs in India</li> <li>Structural, long term theme</li> </ul>	+	<ul style="list-style-type: none"> <li>Disruptive and New age theme</li> </ul>	=	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:** Primary - BSE 500 TRI, Secondary - BSE 200 Index.

**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. Secondary benchmark – Since its composition is in line with the objective of the investment approach. Index is broad based and is also suited for comparing the performance of the portfolio.

### Fund Manager

Sheetalkumar Shah, Total Experience: 27 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:

Wishing you a very happy & prosperous new year!

As year 2025 unfolds, forecasts ranging from economic outlook, political trends, stock market outlook start hogging limelight. Though it is difficult to predict future, we can always prepare ourselves to deal with uncertainties and manage portfolios diligently. Indian stock markets remained in correction mode for third consecutive month in December, belying expectations of Santa rally. FII outflows, muted 2QFY25 quarterly earnings season, economic slowdown & valuation concerns were some of the factors for market correction. December was the first full month since the regulatory curbs on equity derivatives took effect that has led to a significant drop activity: average daily turnover has fallen by more than third on NSE. Another important factor is recent rupee depreciation against dollar. Though it is good for export-oriented sectors, it raises import challenges and trade deficit which is already at record high.

In the near term, markets will take a cue from Trump administration's trade & tariff policies, US Fed policy, RBI monetary policy, Union Budget & 3QFY25 earnings season. As India's GDP growth moderated in 2QFY25 and corporate earnings were also muted in general, it is more important to analyse upcoming result season and subsequent management commentary to take any action in the portfolio with long term view. We are hopeful that 2HFY25 will be better considering pick up in government/private capex, slight improvement in loan growth with CRR cut, rural recovery given above normal monsoon, resumption of rate cut cycle etc.

As legendary investor Howard Mark says, the road to long-term investment success runs through risk control more than through aggressiveness. Due to our disciplined investment approach & not getting influenced by euphoria in certain pockets of the market in 1HFY25, the portfolio has outperformed over different time periods. Note that we were significantly underperforming the benchmark index for six-month period just three months ago!

India's economic fundamentals remain strong and its structural growth story will continue to inspire confidence. However, the path forward requires patience, a long-term perspective and adherence to valuation principles. We continue to adhere to our investment discipline: cash flow generation, conservative capital structure, durable business model, attractive valuation and quality management. Our HINP portfolio is strongly positioned to build wealth in the medium to long term.

### Top 10 Holdings

Name	Weight%	Theme	ROE (FY24) %	EPS CAGR (2Yrs)
INDIAN HOTELS CO LTD	7.01	Consumption	14.4	29.8
PERSISTENT SYSTEMS LTD	6.16	Digital	24.5	25.9
STATE BANK OF INDIA	5.89	Consumption + Digital	17.3	10.8
ZOMATO LTD	5.66	Consumption	1.8	194.3
INTERGLOBE AVIATION LTD	5.29	Consumption	N/A	5.1
INFOSYS LTD	4.80	Digital	32.1	7.2
DLF LTD	4.72	Consumption	7.1	26.4
PHOENIX MILLS LTD	4.58	Consumption	12.3	24.8
ABB INDIA LTD	4.42	GLOCAL	22.8	40.5
INTELLECT DESIGN ARENA LTD	4.20	Digital	14.3	27.6

Performance#	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since Inception
Portfolio (HINP)	0.69%	-3.78%	3.00%	17.66%	23.54%	15.49%	17.89%
BSE 500 TRI ^	-1.50%	-7.79%	-0.74%	15.81%	21.04%	15.36%	17.14%
BSE 200 ^^	-1.73%	-8.35%	-1.58%	13.40%	17.98%	13.19%	14.58%

Source – Bloomberg. Data as on 31 December 2024. 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 ^^ Secondary benchmark, #Refer page no. 2 for detailed disclaimer. To view the portfolio's performance relative to other Portfolio Managers, you may click here (APMI ([apmindia.org](http://apmindia.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	27.36
Information Technology	15.15
Financials	10.63
Industrials	9.72
Real Estate	9.30
Health Care	8.05
Energy	3.51
Communication Services	3.26
Utilities	3.07
Consumer Staples	2.96

Market Capitalisation

Large Cap:	52.83%
Mid Cap:	21.37%
Small Cap:	18.81%
Avg. Weighted Market Capitalisation Rs. 2,92,588 Cr	
Median Market Capitalisation Rs. 1,46,476 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 FY24	0.5%	2 year EPS CAGR	19.0%
P/E FY24 estimates	65.2x	RoE FY24	16.4%
P/E FY25 estimates	54.5x	Beta:	1.0
P/E FY26 estimates	37.5x		
2 years EPS CAGR: FY24 to FY26 – Data as on 31 December 2024			

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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