

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

Macro Trends – Micro themes

Key macro trends continue to get stronger

Cherry-picking the right micro theme in a macro trend important to deliver superior returns

HSBC EVOLVE Portfolio aims to capture these macro trends + micro themes across cycles

Aims to catch these themes at an early stage with respect for valuations

Investment approach & Red Ocean Blue Ocean* (ROBO) Analogy



Structural tailwinds

Structural tailwinds remain strong and growing stronger. Focus on Manufacturing, Infrastructure and Formalisation of economy continues, Consumption and rural development focus has increased with various government led actions while India continues to improve Export numbers.

Pain To Gain

These stocks could be cyclical plays, which faced temporary headwinds due to regulations, slow-down in business cycle etc. In such cases, both or either valuation and earnings may have taken a hit and could provide attractive investment opportunities as the cycle turns favourable.

Top 10 Holdings

Name	Weight%
ICICI BANK LTD	4.50
BHARTI AIRTEL LTD	4.07
AU SMALL FINANCE BANK LTD	3.80
INTERGLOBE AVIATION LTD	3.64
BAJAJ FINANCE LTD	3.10
MUTHOOT FINANCE LTD	3.04
KRISHNA INSTITUTE OF MEDICAL	2.76
LG ELECTRONICS INDIA LTD	2.76
ETERNAL LTD	2.72
APOLLO HOSPITALS ENTERPRISE	2.66

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	27.73
Consumer Discretionary	17.87
Industrials	10.63
Health Care	9.35
Information Technology	5.59
Materials	4.40
Communication Services	4.07
Consumer Staples	2.96

Market Capitalisation

Large Cap:	29.25%
Mid Cap:	36.42%
Small Cap:	19.05%
Avg. Weighted Market Capitalisation Rs. 1,84,858 Cr	
Median Market Capitalisation Rs. 60,727 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.	

Demographic drivers



- Government focus on Manufacturing and Infrastructure
 - Formalisation
 - Digitisation
 - Infrastructure & Rural Development
 - Global supply chain diversification or China +1
- Market cap creation within these macro trends have changed as various micro themes or new sectors emerged within them
 - The portfolio aims to capture these macro trends + micro themes across cycles

*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."

Themes : Macro + Micro

Macro Theme		Phase 1	Phase 2
	Consumption Examples	Retailing, Quick Service Restuarants DMART, Jubilant	Ecomm + Food Delivery, Quick commerce Zomato, Swiggy
	Government focus on manufacturing and infra Examples	Power, Steel, Cement, Roads Construction Jindal Steel, Shree Cement	Electronics manufacturing, Decarbonisation, Defense DIXON, Gravita, Hindustan Aeronautics
	Formalisation Examples	Banks, AMC, Insurance ICICI Bank, HDFC AMC	Discount broking, Weath management, Depositories AngelOne, 360one, CDSL, CAMS
	Digitisation Examples	Telecom Bharti Airtel, Infoedge	Travel bookings, Music Labels Saregama, Ixigo
	Exports Competitive service + Product Globa Supply Diversification Examples	IT Services, Textiles, Speciality Chemicals Infosys, KPR Mills, SRF	EMS, CDMO Kaynes, Neuland
	Rural Development Examples	Irrigation, MFIs, Mobility Credit Access Grameen, Hero Moto	Electronics Retail, Building construction Aditya Vision, Vishal Mega Mart

- Macro tailwinds remain the same and keep growing
- They give rise to new micro themes / new sectors which emerge every cycle
- The portfolio will capture these themes at an early stage, with respect for valuations

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