



HSBC India Next Portfolio

PMS Product Note

June 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:

After a strong up move in April month, broad markets continued upward journey in the month of May. Foreign investors sentiment toward Indian equities has improved notably, with net FPI inflows of Rs 198.6 bn in May, the highest monthly figure in CY25. This marks a turnaround after consistent outflows in the first quarter of calendar year. With improvement in market sentiment, promoter and strategic shareholder stake sales injected over Rs 328 bn into the market, emerging as a notable supply source. If market conditions remain stable, increased supply from both primary and secondary markets is likely to hit the market and will remain a key factor to watch out for.

India's 4QFY25 GDP growth was strong at 7.4%. The primary driver of growth from supply side was Agriculture (up 5.4%) and Industry (up 6.5%) within which Construction sector stood out with strong growth of 10.8%. Services growth was steady at 7.3%. Monthly high frequency data, thus far, remains robust. Consumption is expected to get a boost from the budgeted tax cut, state level giveaways and the expected 8th pay commission implementation. Government capex remains healthy while global uncertainty and volatility remains at elevated levels with President Trump's flip flop tariff policies that could adversely impact private consumption pick-up. Growth will also be supported by monsoon which is expected to be above normal and RBI's higher than estimated dividend which will keep fisc in check. Inflation is expected to remain below 4.0% for FY26. This will give RBI more ammunition to support growth by cutting rates further. Composite PMI came at 59.3 indicating resilient private sector activity in the month. India's macroeconomic outlook has improved over the past two months on (1) benign CPI inflation, (2) better BOP outlook on weak crude prices and positive capital flows and (3) likely higher savings of the domestic economy from falling crude prices and an appreciating INR.

4QFY25 corporate earnings season was quite decent showcasing widespread outperformance across aggregates. Sectors such as Healthcare, Capital goods, Technology, Auto, Metals contributed to this healthy performance whereas oil & gas, private banks dragged overall profitability. For HINP portfolio (ex-financials), the revenue growth was 13% whereas operating profit & net profit growth was 16% & 12% respectively.

We have experienced major drawdown the month of January & February and then in April in the broader markets. Such drawdowns in bull market cycle are normal and the resilience of the portfolio is tested in such difficult phases. We booked profits partially in tech names such as Intellect Design & Persistent Systems during the month. We added incrementally to Shriram Pistons considering the revenue & earning growth visibility and attractive valuations after its 4QFY25 result. We are carefully evaluating new ideas as we feel that market breadth will shrink further and only companies with strong earnings growth will deliver returns in the long term. Our endeavour is to have a portfolio of quality stocks from the three structural themes that can deliver sustainable returns over a longer time frame.

Source - HSBC Asset Management India, Bloomberg

Top 10 Holdings

Name	Weight%	Theme	ROE (FY25) %	EPS CAGR (2Yrs)
INTERGLOBE AVIATION LTD	6.23	Consumption	127.7	15.0
STATE BANK OF INDIA	6.01	Consumption + Digital	17.3	5.1
INDIAN HOTELS CO LTD	5.12	Consumption	18.5	15.4
DLF LTD	4.6	Consumption	10.7	9.4
SHRIRAM PISTONS & RINGS LTD	4.56	Consumption	23.5	14.3
MARUTI SUZUKI INDIA LTD	4.41	GLOCAL+Consumption	15.7	11.9
PHOENIX MILLS LTD	4.35	Consumption	9.9	31.7
TITAN CO LTD	4.25	Consumption	31.8	31.8
INTELLECT DESIGN ARENA LTD	4.21	Consumption	12.7	27.5
RELIANCE INDUSTRIES LTD	4.12	Consumption + Digital	8.5	15.3

Performance#	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	Since Inception
Portfolio (HINP)	5.50 %	14.12 %	-0.79 %	7.15 %	18.31 %	17.65 %	15.14 %	15.63 %
BSE 500 TRI ^	3.54 %	14.65 %	0.62 %	8.54 %	20.90 %	18.16 %	15.62 %	15.93 %

Source – HSBC Asset Management India, Bloomberg. Data as on 31 May 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)).

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	25.38
Financials	16.93
Information Technology	12.19
Industrials	10.08
Real Estate	8.95
Health Care	6.57
Energy	4.12
Utilities	3.10
Consumer Staples	2.93
Communication Services	2.50

Market Capitalisation

Large Cap:	52.67%
Mid Cap:	20.02%
Small Cap:	20.06%
Avg. Weighted Market Capitalisation Rs. 3,12,531 Cr	
Median Market Capitalisation Rs. 1,26,022 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	0.8%	2 year EPS CAGR	16.1%
P/E FY25 estimates	47.3x	RoE FY25	23.4%
P/E FY26 estimates	40.3x	Beta:	1.0
P/E FY27 estimates	29.4x		
2 years EPS CAGR: FY25 to FY27 – Data as on 31 May 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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