

HSBC Fund of Funds Limited

Annual Report June 2008

HSBC Fund of Funds Limited

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Bond Class Manager's Report For the year ended June 30, 2008

Portfolio Overview

The Bond Class had another strong performance with returns of 7.7% for this fiscal year.

- ▶ Government bonds led all sectors as investors sought the safety of Treasuries amid tightening credit markets and rising defaults among mortgage backed securities.
- ▶ The portfolio was led by our global bond and global credit positions while we reduced our high yield positions to become more defensive.
- ▶ As an indication of how strong government bonds were for the year, the Citigroup World government bond index rose an unprecedented 17% while our diversified portfolio rose 8.3% remaining more in line with the Citigroup World Broad Investment Grade index .

The Federal Reserve cut the benchmark rate from 5.25% at the start of the portfolio's fiscal year to 2.00% by April of 2008.

- ▶ Aggressive rate cuts combined with liquidity injections occurred during the year as the Federal Reserve joined the Treasury Department and Congress to combat the rising credit problems.
- ▶ The credit crunch seemed to have reached a peak in the Spring of 2008 with the downfall of Bear Stearns. This has proven not to be the case as markets remained weak in May and June with a further declining housing market and additional issues associated with mortgages.
- ▶ Global growth also came into question in the final months of the fiscal year while oil and commodity prices remain elevated.
- ▶ Despite slowing growth the European Central Bank continued to follow its mandate of focusing on inflation in Europe. As prices rose across the continent, the central bank indicated rate increases may occur in the near future.

Outlook

The credit crisis has dominated the market landscape and our primary concern going forward will be how significantly the main economy is going to be affected by these weaknesses in the financial sector. Slowing economic growth in the developed and emerging markets is apparent. The question remains of how deep of a slowdown the global economies will experience. We expect a moderate slowdown which in turn will reduce inflation pressures. A slowdown in Emerging Markets, particularly China and India, albeit still strong relative to the rest of the world, is also expected to ease energy prices. We will remain defensive in the portfolio as we expect a recessionary environment over the next 6 to 9 months. We believe the positive steps taken by the Federal Reserve and the Treasury Department will help lessen the depth of the slowdown in the US economy, which remains an influential engine for the global economy.

HSBC Global Asset Management (Bermuda) Limited

Equity Class Manager's Report

For the year ended June 30, 2008

Portfolio Overview

The Equity Class declined this fiscal year following strong performance in the 2007 fiscal year.

- ▶ The portfolio benefited from allocations to Asia and Emerging Markets while weakness in specific holdings in the US and European markets diminished returns. The JP Morgan US Dynamic Fund and Morgan Stanley SICAV US Value Equity Fund as well as Alliance Bernstein European Value Fund were among the weakest performers of our US and European holdings.
- ▶ The portfolio was basically in line with the MSCI World Equity Index over the period with the portfolio returning -12.85% versus -12.50% for the index.

The Federal Reserve cut the benchmark rate from 5.25% at the start of the portfolio's fiscal year to 2.00% by April of 2008.

- ▶ Aggressive rate cuts combined with liquidity injections occurred during the year as the Federal Reserve joined the Treasury Department and Congress to combat the rising credit problems.
- ▶ The credit crunch seemed to have reached a peak in the Spring of 2008 with the downfall of Bear Stearns. This has proven not to be the case as markets remained weak in May and June with a further declining housing market and additional issues associated with mortgages.
- ▶ Global growth also came into question in the final months of the fiscal year while oil and commodity prices remain elevated.
- ▶ Despite slowing growth the European Central Bank continued to follow its mandate of focusing on inflation in Europe. As prices rose across the continent, the central bank indicated rate increases may occur in the near future.

Outlook

The credit crisis has dominated the market landscape and our primary concern going forward will be how significantly the main economy is going to be affected by these weaknesses in the financial sector. Slowing economic growth in the developed and emerging markets is apparent. The question remains of how deep of a slowdown the global economies will experience. We expect a moderate slowdown which in turn will reduce inflation pressures. A slowdown in Emerging Markets, particularly China and India, albeit still strong relative to the rest of the world, is also expected to ease energy prices. We will remain defensive in the portfolio as we expect a recessionary environment over the next 6 to 9 months. We believe the positive steps taken by the Federal Reserve and the Treasury Department will help lessen the depth of the slowdown in the US economy, which remains an influential engine for the global economy.

HSBC Global Asset Management (Bermuda) Limited



KPMG

Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda
Mailing Address:
P.O. Box HM 906
Hamilton HM DX, Bermuda

Telephone (441) 295-5063
Fax (441) 295-9132
Internet www.kpmg.bm

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
HSBC Fund of Funds Limited (the "Fund")

We have audited the accompanying statements of assets and liabilities of the Bond Class USD, the Equity Class USD and the Alternative Class USD (together constituting "HSBC Fund of Funds Limited"), including the statements of net assets, as of June 30, 2008, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HSBC Fund of Funds Limited as of June 30, 2008, the results of its operations and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Chartered Accountants
Hamilton, Bermuda
November 3, 2008

HSBC Fund of Funds Limited
Statements of Assets & Liabilities
as at June 30, 2008

	Bond Class USD 2008	Equity Class USD 2008	Alternative Class USD 2008
Assets			
Investments at fair value (notes 3(b), 11, 12 & 13)	23,285,120	45,260,830	235,263,288
Cash and cash equivalents (note 3(a))	2,265,797	2,363,761	-
Amounts due from broker	-	-	9,700,000
Dividends and interest receivable	46,883	8,385	-
Accounts receivable	26,132	29,771	-
Prepaid expenses	188	606	2,352
	<u>25,624,120</u>	<u>47,663,353</u>	<u>244,965,640</u>
Liabilities			
Dividends payable (note 14)	145,367	-	-
Bank overdraft (note 3(b))	-	-	489,353
Subscriptions received in advance	544,000	40,110	1,371,047
Management and administration fees payable (notes 4 & 5)	62,720	126,227	609,121
Accounts payable and accrued expenses	21,722	19,931	52,221
	<u>773,809</u>	<u>186,268</u>	<u>2,521,742</u>
Net assets	<u>24,850,311</u>	<u>47,477,085</u>	<u>242,443,898</u>
Share capital (note 10)			
Shares outstanding	193,822	316,759	1,204,600
Net asset value per share	USD 128.21	USD 149.88	USD 201.27

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited

Statements of Net Assets

as at June 30, 2008

Bond Class	Liquidity Period	Holdings in Shares	Purchase Cost	Fair Value USD	% of Net Assets
Corporate Credit					
HSBC Investment Solutions Global Credit Bond Fund	Daily	101,202	1,013,988	1,028,215	4.14
			1,013,988	1,028,215	4.14
Emerging Markets					
Ashmore Emerging Markets Liquid Investment Portfolio	Monthly	132,636	1,277,412	1,373,360	5.53
HSBC Investment Solutions Emerging Market Bond Fund	Daily	93,666	1,079,250	1,603,566	6.45
			2,356,662	2,976,926	11.98
Global					
Baring International Bond Fund	Daily	114,408	2,319,108	2,893,367	11.64
Franklin Floating Rate Fund Plc Class A (ACC)	Daily	147,290	1,575,757	1,645,224	6.62
Franklin Templeton Investment Funds - Templeton Global Bond Fund Class A (DIS)	Daily	164,591	2,122,463	2,580,785	10.39
Goldman Sachs Global Fixed Income Portfolio	Daily	122,252	1,722,867	1,935,256	7.79
Goldman Sachs Global High Yield Portfolio Class I	Daily	102,621	1,288,259	1,124,731	4.53
Invesco Bond Fund Class C	Daily	99,761	2,076,828	2,724,484	10.96
Mellon Global Bond Fund Class A	Daily	1,622,895	2,572,212	3,064,188	12.33
Schroders International Selection Global Corporate Bond Fund Class A	Daily	136,660	771,758	736,596	2.96
Legg Mason Global Funds Plc - Brandywine Global Opportunities Bond Fund Class A	Daily	13,132	1,530,158	1,521,751	6.12
			15,979,410	18,226,382	73.34
Short-Duration					
HSBC Investment Solutions Short Duration Bond Fund	Daily	104,008	1,076,396	1,053,597	4.24
			1,076,396	1,053,597	4.24
Total investments			20,426,456	23,285,120	93.70
Other net assets				1,565,191	6.30
Total net assets				24,850,311	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
Statements of Net Assets (Continued)
as at June 30, 2008

Equity Class	Liquidity Period	Holdings in Shares	Purchase Cost	Fair Value USD	% of Net Assets
Emerging Market					
Gartmore SICAV Emerging Markets Fund Class D1	Daily	175,762	1,508,866	3,597,887	7.58
			1,508,866	3,597,887	7.58
Europe					
Alliance Bernstein European Value Fund	Daily	89,847	1,228,000	1,744,503	3.67
Baring Eastern Europe Fund	Daily	6,247	1,005,690	997,951	2.10
Fidelity Fund European Growth Fund	Daily	197,856	1,473,181	3,361,435	7.08
Gartmore SICAV Continental European Fund Class A1	Daily	381,078	1,526,377	3,227,209	6.80
			5,233,248	9,331,098	19.65
Global					
Orbis Global Equity Fund	Weekly	24,264	1,500,000	2,703,009	5.69
Investec Global Strategy Fund Limited American Equity Fund Class A	Daily	35,751	3,522,200	2,759,271	5.81
			5,022,200	5,462,280	11.50
Asia					
Schroders International Selection Fund Japanese Large Cap Class A	Daily	154,010	1,790,829	1,594,992	3.36
Invesco Fund Series - Asian Equity Fund Class C	Daily	527,824	1,534,010	2,702,457	5.70
Invesco Fund Series - Japanese Equity Core Fund Class A	Daily	924,594	1,599,547	1,331,415	2.80
			4,924,386	5,628,864	11.86
North America					
Financial Select Sector SPDR Fund	Daily	60,000	1,522,683	1,215,600	2.56
HSBC Investment Solutions US Large Cap Fund	Daily	50,244	1,000,000	841,913	1.77
HSBC Investment Solutions US Large Cap Growth Fund	Daily	130,314	1,000,000	1,077,693	2.27
iShare Dow Jones US Technology Sector Index Fund	Daily	32,500	1,895,243	1,761,175	3.71
JP Morgan US Dynamic Fund	Daily	173,611	2,000,000	1,942,709	4.09
Morgan Stanley SICAV US Value Equity Fund Class I	Daily	170,068	3,000,000	3,408,163	7.18
Schroders International Selection US Smaller Companies Fund	Daily	40,049	1,622,421	3,060,144	6.45
Vanguard Investment Series Plc - US Opportunities Fund	Daily	18,094	3,000,000	4,726,907	9.96
			15,040,347	18,034,304	37.99
United Kingdom					
Invesco Fund Series - UK Equity Fund Class C	Daily	144,885	2,060,627	1,465,559	3.09
HSBC Global Investment Funds UK Equity	Daily	34,344	2,039,850	1,740,838	3.67
			4,100,477	3,206,397	6.76
Total investments			35,829,524	45,260,830	95.34
Other net assets				2,216,255	4.66
Total net assets				47,477,085	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
 Statements of Net Assets (Continued)
 as at June 30, 2008

Alternative Class	Liquidity Period	Holdings in Shares	Purchase Cost	Fair Value USD	% of Net Assets
Multi-Strategy					
HSBC GH Fund AP Class	Monthly	1,619,601	171,480,635	235,263,288	97.04
			171,480,635	235,263,288	97.04
Total investments			171,480,635	235,263,288	97.04
Other net assets				7,180,610	2.96
Total net assets				242,443,898	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
Statements of Operations
for the year ended June 30, 2008

	Bond Class USD 2008	Equity Class USD 2008	Alternative Class USD 2008
Income			
Dividend income	871,537	182,382	-
Interest income	56,773	138,718	-
Rebate income	1,118	-	-
Other income	26,599	45,428	3,754
	956,027	366,528	3,754
Expenses			
Management and administration fees (notes 4 & 5)	254,795	516,575	2,448,987
Audit fees	8,438	12,996	64,246
Bank charges	2,446	562	2,238
Directors' fees (note 8)	1,299	3,828	11,077
Other expenses	3,439	7,685	11,737
	270,417	541,646	2,538,285
Net investment income/(loss)	685,610	(175,118)	(2,534,531)
Net realized gains on sale of investments	515,079	1,330,494	11,381,233
Net change in unrealized gains on investments	711,583	(7,922,230)	4,139,638
Net increase/(decrease) in net assets resulting from operations	1,912,272	(6,766,854)	12,986,340

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
Statements of Changes in Net Assets
for the year ended June 30, 2008

	Bond Class USD 2008	Equity Class USD 2008	Alternative Class USD 2008
Net assets at start of the year	24,339,150	50,793,995	232,323,864
Net increase/(decrease) in net assets from operations			
Net investment income/(loss)	685,610	(175,118)	(2,534,531)
Net realized gains on sale of investments	515,079	1,330,494	11,381,233
Net change in unrealized gains on investments	711,583	(7,922,230)	4,139,638
	1,912,272	(6,766,854)	12,986,340
Subscriptions and redemptions			
Proceeds on issue of shares	4,331,216	9,967,465	49,196,122
Payments on redemption of shares	(5,222,326)	(6,517,521)	(52,062,428)
	(891,110)	3,449,944	(2,866,306)
Dividends (note 14)	(510,001)	-	-
Net assets at end of the year	24,850,311	47,477,085	242,443,898

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited

Notes to the Financial Statements

for the year ended June 30, 2008

1. The Fund

HSBC Fund of Funds Limited (the "Fund") is an open-ended exempted mutual fund company incorporated with limited liability and unlimited duration in Bermuda on May 26, 1998 in accordance with The Companies Act 1981 of Bermuda.

The principal objective of the Fund is to achieve capital growth while attempting to limit investment risk by investing in open-ended investment funds.

The Fund is managed by HSBC Global Asset Management (Bermuda) Limited (the "Manager"), a wholly-owned subsidiary of The Bank of Bermuda Limited (the "Bank"), a member of the HSBC Group.

The Fund has been classified as a standard fund in accordance with the Bermuda Monetary Authority Investment Fund Act 2006, with effect from July 6, 2007.

The Shares of the Fund are divided into several classes ("Classes") for which the Fund maintains separate accounts. The assets of each class of the Fund are held exclusively for the benefit of the holders of the shares of the relevant classes. However, all assets of the Fund are subject to the general creditors of the Fund, in that the assets of each Class may be exposed to the liabilities of other Classes within the Fund. At June 30, 2008 the Directors were not aware of any such specific existing or contingent liabilities. The following Classes are currently available:

	Date of inception
Bond Class	June 26, 1998
Equity Class	June 26, 1998
Alternative Class	October 29, 1999

2. Significant Accounting Policies

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting and reporting policies adopted by the Fund are as follows:

- (a) **Investment transactions and income**
Investment transactions are recorded on the trade date. Realized gains and losses on investment transactions are calculated on a weighted average cost basis and are included in the statements of operations.
- (b) **Valuation of investments**
Investments are valued at fair value at the latest available price as quoted by the management of the respective mutual funds or the last published prices as of valuation day for investments traded on a recognised exchange.
- (c) **Cash and cash equivalents**
Cash and cash equivalents include cash balances, money market funds and short-term fixed deposits with maturity dates of less than 90 days from the date of purchase.
- (d) **Interest and dividend income**
Interest income is recorded on the accruals basis. Dividend income is recorded on the ex-dividend date net of withholding tax.
- (e) **Expenses**
The Fund bears all operating expenses which are allocated between all Classes in proportion to the respective net asset value of each Class unless the expense is solely attributable to a specific Class.
- (f) **Use of estimates**
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

2. Significant Accounting Policies (continued)

- (g) Foreign currency translation
Assets and liabilities denominated in currencies other than the base currency of each Class are translated into the base currency at the rate of exchange prevailing at the date of the financial statements. Transactions during the year in currencies other than the base currency have been translated at the rate of exchange prevailing on the date of the transaction. Realized and unrealized gains and losses on translation of investment balances are included in the statements of operations in "net realized gains on sale of investments" and "net change in unrealized gains on investments" respectively. All other realized and unrealized gains and losses are included in the line item to which they relate.
- (h) Financial instruments
The fair value of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standard No. 107 "Disclosure About Fair Value of Financial Instruments" approximate the carrying amounts presented in the statement of assets and liabilities either due to their short-term nature or are recorded at fair value (see also note 2(b)).
- (i) Mandatory redeemable financial instruments
In accordance with the Statement of Financial Accounting Standard No. 150 "Accounting for Certain Financial Instruments with characteristics of both liabilities and equity", financial instruments, mandatorily redeemable at the option of the holder, are classified as liabilities when a redemption request has been received and redemption amount has been determined.
- (j) New Accounting Pronouncements
In September 26, 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("FAS 157"). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of June 30, 2008, the Fund does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.
- (k) Forward currency contracts
Forward currency contracts are valued at the forward rate and are marked-to-market daily. The change in market value is recorded by each Class as an unrealized gain or loss in the statement of operations. When the contract is closed, each Class records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

3. Cash and Cash Equivalents and Bank Overdraft

- (a) Cash and cash equivalents
Cash balances are held with the Bank. Cash equivalents comprise investments in HSBC Corporate Money Funds Limited.

	Bond Class USD	Equity Class USD	Alternative Class USD
Cash at bank	10,000	11,927	-
Money market fund	2,255,797	2,351,834	-
	2,265,797	2,363,761	-

- (b) Bank overdraft
Under an agreement dated October 16, 2006, the Bank made available a US Dollar uncommitted overdraft facility to the Fund. The maximum amount that may be advanced is the lesser of 10% of the Net Value of Assets in custody ("NVAC") of each Class or a combined USD 4,500,000.

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

3. Cash and Cash Equivalents and Bank Overdraft (continued)

(b) Bank overdraft (continued)

Under the terms of the agreement, all assets of the Fund held in the Bank's custody are pledged as security against advances made by the Bank. The amount outstanding is due upon demand and interest is payable on overdrawn balances at an amount equal to the Bank's Base Rate plus 125 basis points (6.4625% at June 30, 2008). At June 30, 2008, \$489,353 is outstanding under this facility. During the year, the Fund borrowed and repaid funds from the Bank with the maximum approved amount drawn being USD1,820,162 for the Bond Class, USD979,304 for the Equity Class and USD2,253,668 for the Alternative Class. Interest charged during the year relating to the balances drawn totaled USD1,769, USD3,594 and USD2,359 for each class respectively.

(c) Foreign Exchange Transactions Facility

Under an agreement dated October 16, 2006, the Bank made available an uncommitted foreign exchange transactions facility to the Fund. This facility provides for a Foreign Currency Transaction Line up to a maximum at any time of the lesser at such time of \$22.5 million or 100% of the NAV with respect to Bond and Equity Class. The Bank reserves the right at its absolute discretion to decide whether or not any utilization may be made and to specify conditions only upon compliance with which such utilization may be made. This facility will be governed by an ISDA Master Agreement. At June 30, 2008 and for the year then ended, nil is outstanding under this facility.

4. Manager

Under an agreement dated May 29, 1998, the Manager is entitled to receive a quarterly fee calculated at a rate of 1.0% per annum of the average of the weekly value of the net assets of each of the Equity Class and Bond Class, respectively, during the quarter, and 1.0% per annum of the average of the monthly value of the net assets of the Alternative Class during the quarter. If the current fee rates are to be changed, notice must first be given to the Fund and shareholders. The maximum management fee permitted under the terms of the agreement is 1.5% for the Bond Class and Equity Class, and 2.5% for the Alternative Class.

The fees and expenses payable to the Custodian and Administrator by the Fund will proportionately reduce amounts payable by the Fund to the Manager.

For the year ended June 30, 2008, the Manager has invested certain of the Fund's assets in various other HSBC Funds. The Manager received additional management fees on the assets directly from those funds in accordance with the respective management agreements.

5. Administrator

Under an agreement dated May 29, 1998 between the Fund and HSBC Securities Services (Bermuda) Limited (the "Administrator"), a wholly-owned subsidiary of the Bank, the Administrator agreed to act as share registrar, transfer agent, secretary and to provide accounting and administrative services to the Fund.

The Administrator is entitled to receive fees from the Fund for services provided as agreed from time to time between the Fund and the Administrator.

The Administrator is also entitled to receive from the Fund an amount equal to the out-of-pocket expenses incurred in carrying out its duties.

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

6. Custodian

Under an agreement dated May 29, 1998, the Bank was appointed as Custodian for the Fund.

The Custodian is entitled to receive fees from the Fund for services provided at such rates agreed from time to time between the Fund and the Custodian. Such fees will proportionately reduce the amounts payable by the Fund to the Manager (see Note 4). The Custodian has waived all fees for the year ended June 30, 2008.

The Custodian is also entitled to receive from the Fund an amount equal to the out-of-pocket expenses incurred in carrying out its duties.

7. Taxation

At the present time no income, corporation profit, withholding or capital gains taxes are levied in Bermuda and, accordingly, no provision for such taxes has been recorded by each Class. In the event that such taxes are levied, the Fund has received an undertaking from the Bermuda Government, under the Exempted Undertaking Tax Protection Act 1966, exempting it from all such taxes until March 28, 2016.

8. Directors' Fees

Each of the Directors are entitled to receive from the Fund a fee at such a rate as may be set from time to time by the Board of Directors, provided such remuneration shall not exceed an aggregate amount of \$15,000 per annum without prior consent of the shareholders in a general meeting. The Directors may also be reimbursed for all travel, hotel and other expenses properly incurred by them in attending meetings of the Fund. No such fees will be payable where the Director is employed by the Bank or any of its subsidiaries or affiliates.

For the year ended June 30, 2008, Mr. John Hawkins, Mr. William Thomson and Ms. Julie McLean each received an annual fee of \$5,000.

9. Directors' Interests

As at June 30, 2008, the Directors held 3,120.97 shares in the Alternative Class and 168.10 shares in the Equity Class.

10. Share Capital

The present authorized share capital of \$512,000 of the Fund is divided into 5,000,000 Shares of \$0.10 par value each and 120,000 founders' shares of \$0.10 par value each. The Manager holds all founders' shares, nil paid. The founders' shares do not have any voting or other rights and are only entitled to the return of capital paid upon a winding-up.

<u>Share Capital</u>	<u>Bond Class</u>	<u>Equity Class</u>	<u>Alternative Class</u>
Shares in issue June 30, 2007	200,544	295,341	1,221,191
Shares issued during the year	34,609	60,108	252,800
Shares redeemed during the year	(41,331)	(38,690)	(269,391)
Shares in issue June 30, 2008	193,822	316,759	1,204,600

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

11. Cost of Investments

Cost of Investments as at June 30, 2008

	USD
Bond Class	20,426,456
Equity Class	35,829,524
Alternative Class	171,480,635

12. Financial Instruments and Associated Risks

Market Risk

Market risk arises primarily from uncertainty around the future prices of financial instruments held by the Fund and represents the loss the Fund might incur through holding such instruments in the face of price movements. The Manager allocates the Fund's portfolio of investments with a view to minimizing the risk associated with particular countries and industry sectors.

Currency Risk

Currency risk is the risk that future changes in exchange rates will make financial instruments held by the Fund less valuable. The investments of each Class are denominated in the related base currency thus minimizing currency risk.

Interest Rate Risk

The Fund is exposed to interest rate risk to the extent that the fair value of the Fund's financial instruments may fluctuate with movements in interest rates. The Fund manages interest rate risk by investing in short duration debt instruments and floating rate notes. The Fund may also use forward contracts for hedging purposes and as independent profit opportunities. The settlement of forward contracts is not expected to have a material effect on the Fund's net assets.

Liquidity Risk

The Fund may invest in debt securities and other Investment companies that are not publicly traded or for which there is no liquid market. The Fund is exposed to liquidity risk to the extent that it is unable to realize its positions to meet liabilities and redemptions as they fall due in a timely and favourable manner. The liquidity profile of the Fund's investment portfolio as at June 30, 2008 is disclosed in the statement of net assets.

Credit Risk

Credit risk is the risk that a counterparty will fail to discharge its obligation or commitment related to a financial instrument it has issued. Financial assets that potentially expose the Fund to credit risk consist primarily of cash and cash equivalents and investments. The extent of the Fund's exposure to credit risk in respect of these financial assets approximate the carrying values as recorded in the statements of net assets. Credit risk is managed by dealing with reputable counterparties.

13. Investments in Other Investment Funds

The investments in other investment funds (the "investee funds") are valued at their fair value. The fair value represents the amount the Fund would have received at June 30, 2008, if it had liquidated its investments. The Fund has the ability to liquidate its investments periodically depending on the provisions of the respective investee fund's offering documents.

As of June 30, 2008, the Alternative Class has an investment in HSBC GH Fund AP Class (the "investee fund") of the HSBC Portfolio Selection Fund, a fund managed by HSBC Management (Guernsey) Limited and advised by HSBC Alternative Investments Limited, representing 97.04% of its net assets. The objective of the investee fund is to provide a total return from selective investment in a number of hedge funds, which utilize and trade a range of different strategies and markets worldwide.

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

13. Investments in Other Investment Funds (continued)

The investment funds in which the Fund has invested utilize a variety of financial instruments in their trading strategies including equity and debt securities of both U.S. and foreign issuers, options, futures contracts, forward contracts, and swap contracts. Several of these financial instruments contain varying degrees of off-balance sheet risk whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on each investee funds balance sheet. However, due to the nature of the Fund's interests in the investee funds, such risks are limited to the Fund's investment in each investee fund.

Complete information about the underlying investments held by the investee funds is not readily available, so it is unknown whether the investee funds hold any single investment whereby the Fund's proportionate share exceeds 5% of the Fund's net assets as of June 30, 2008.

14. Dividends

The Directors intention is to declare dividends with respect to the Bond Class Shares. Dividends are paid quarterly and are automatically reinvested in the form of additional shares in the same Class, unless the shareholder elects for payment in cash. With respect to the Equity Class and Alternative Class, it is the intention of the Directors not to make distributions of net income by way of dividends.

During the year ended June 30, 2008, the Directors of the Bond Class declared the following dividends:

	USD
Dividends declared	510,001
Dividends payable at June 30th	145,367

15. Financial Highlights

Schedule of Financial Highlights for Bond Class for year ended June 30, 2008

	USD
Selected per share data	
Net asset value at July 1, 2007	121.37
Income from investment operations	
Net investment income	3.39
Net realized gains on sale of investments and change in unrealized gains on investments	6.00
Total from investment operations	9.39
Dividend	(2.55)
Net asset value at end of the year	128.21
Total return (before dividend)	7.74%
Ratios to average net assets	
Total expenses	1.04%
Net investment income	2.70%

HSBC Fund of Funds Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2008

15. Financial Highlights (continued)

Schedule of Financial Highlights for Equity Class
for year ended June 30, 2008

USD

Selected per share data

Net asset value at July 1, 2007 171.98

Income (loss) from investment operations

Net investment loss (0.56)

Net realized gains on sale of investments and change in unrealized
gains on investments (21.54)

Total from investment operations (22.10)

Net asset value at end of the year 149.88

Total return (12.85)%

Ratios to average net assets

Total expenses 1.04%

Net investment loss (0.34)%

Schedule of Financial Highlights for Alternative Class
for year ended June 30, 2008

USD

Selected per share data

Net asset value at July 1, 2007 190.24

Income (loss) from investment operations

Net investment gain/(loss) (2.04)

Net realized gains on sale of investments and change in unrealized
gains on investments 13.07

Total from investment operations 11.03

Net asset value at end of the year 201.27

Total return 5.79%

Ratios to average net assets

Total expenses 1.06%

Net investment loss (1.06)%

An individual shareholder's return may vary from the above, based on the timing of subscriptions and redemptions.

HSBC Fund of Funds Limited Management and Administration for the year ended June 30, 2008

Directors and Officers

William D. Thomson, President
Retired Executive Vice President
The Bank of Bermuda Limited

Guillermo Konecny, Vice President
Head of HSBC Global Asset Management (Bermuda) Ltd.
The Bank of Bermuda Limited

Wayne P. Chapman
Head of Private Client Services
The Bank of Bermuda Limited

William Graham Welton (resigned June 5, 2008)
Head of Corporate Development
The Bank of Bermuda Limited.

John A. Hawkins, FCA
Retired Executive Vice President
The Bank of Bermuda Limited

Julie E. McLean
Partner
Conyers, Dill & Pearman

Michael Schrum (appointed June 25, 2008)
Head of Finance
The Bank of Bermuda Limited

Secretary and Registered Office

HSBC Securities Services (Bermuda) Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11, Bermuda

Manager

HSBC Global Asset Management (Bermuda) Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11, Bermuda

Custodian and Banker

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11, Bermuda

Administrator

HSBC Securities Services (Bermuda) Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11, Bermuda

Auditors

KPMG
Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda

Legal Advisers

Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Client Services

Telephone: (441) 299-5600
Facsimile: (441) 299-6518
Email: bob.investments.client.services@bob.hsbc.com

Sales Team

Telephone: (441) 299-6200
Facsimile: (441) 299-6537
Email: investmentcentre@bob.hsbc.com

www.bankofbermuda.com

HSBC Global Asset Management (Bermuda) Limited ("AMBM") is a wholly owned subsidiary of The Bank of Bermuda Limited (the "Bank"), which is a member of the HSBC Group.

We are a principal member of the HSBC Group, one of the world's largest banking and financial services organisations with around 10,000 offices in 83 countries and territories.

HSBC Global Asset Management (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

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