

HSBC Managed Portfolios Limited

Annual Report June 2009

HSBC Managed Portfolios Limited

Contents

HSBC Managed Portfolios Manager's Report	1
Independent Auditors' Report	2
Statements	
Statements of Assets and Liabilities	3
Statements of Net Assets	4
Statements of Operations	7
Statements of Changes in Net Assets	8
Notes to the Financial Statements	10
Management and Administration	21

HSBC Managed Portfolios Limited

Manager's Report

For the year ended June 30, 2009

Portfolio Overview

The portfolios' value dropped during the fiscal year as nearly every asset class suffered during the credit crisis.

- Government securities seemed to be the only asset class safe from declines during the second half of 2008 and the start of 2009, however some relief came in Q2 2009 as accommodative central bank policies and low interest rates boosted investors' confidence in riskier asset classes.
- The Income & Growth portfolio was the best performing portfolio as it benefited from its higher allocation to bonds. However its relative performance compared to the benchmark was weak as our credit and high yield positions acted as a drag on performance.
- The more aggressive portfolios, although having weaker performance, performed better against their benchmarks as they overweight bonds to equity positions, which performed better in the first half of the year.

Central banks around the globe remained accommodative.

- Interest rates remained at record low levels during the period and are expected to remain so through the end of the calendar year 2009.
- The credit crisis ran much deeper and lasted much longer than expected and included a number of unprecedented events such as: the US government rescue of Fannie Mae, Freddie Mac, AIG and Washington Mutual; Lehman Brothers bankruptcy; Goldman Sachs and Morgan Stanley re-licensed as commercial banks; Bank of America take over of Merrill Lynch; Libor rates soared, widening their spreads to Treasuries to record levels and short selling on financial stocks was restricted. It was an extremely volatile period.
- The global economic outlook remains weak. Expectations are for the US to contract by 2.8%, Europe 4.2% and Japan 6.6% this year. These figures are expected to be mildly positive in 2010. US unemployment rate rose to 9.5% while the housing market remained depressed.
- There has been little positive news however some relief has come as employment figures, although still at depressed levels, seem to have stabilized, while leading indicators and durable goods have recently shown positive signs.

Outlook

- Growth is expected to remain weak and as credit markets improve and return to normalcy we expect to see developed markets slowly return to positive growth in early 2010. We do not expect to see a quick rebound in growth of the developed markets however Emerging markets which seemed to have weathered the storm well will likely lead global growth. Although the market environment has shown improvement in the past quarter, we remain defensive, we will consider to reducing our defensive positions as fundamentals improve.

HSBC Global Asset Management (Bermuda) Limited

This Manager's Report contains certain forward-looking statements with respect to the financial markets. These statements should not be considered personal financial advice.



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 Managed Portfolios Limited (the "Fund")

We have audited the accompanying statements of assets and liabilities of the Income and Growth Portfolio USD, the Balanced Portfolio USD and the Capital Growth Portfolio USD, including the statements of net assets, as of June 30, 2009, and the related statements of operations and changes in net assets for the year then ended. We have also audited the statements of operations and change in net assets of the Strategic Equity Portfolio USD for the period ended from July 1, 2008 to June 25, 2009. 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 Managed Portfolios Limited as of June 30, 2009, the results of its operations and the changes in its net assets for the year ended June 30, 2009 for the Income and Growth Portfolio USD, the Balanced Portfolio USD and the Capital Growth Portfolio USD, and for the period ended June 25, 2009 for the Strategic Equity Portfolio USD, in conformity with accounting principles generally accepted in the United States of America.

Chartered Accountants
Hamilton, Bermuda
November 3, 2009

HSBC Managed Portfolios Limited
Statements of Assets and Liabilities
as at June 30, 2009

	Income & Growth Portfolio USD	Balanced Portfolio USD	Capital Growth Portfolio USD
Assets			
Investments, at fair value (notes 3(b), 11, 12, & 16)	75,430,301	76,039,320	24,856,656
Cash and cash equivalents (note 3)	9,715,100	7,564,533	2,934,555
Rebates receivable (note 14)	74,661	97,351	35,493
Prepaid expenses	810	899	314
	85,220,872	83,702,103	27,827,018
Liabilities			
Bank overdraft (note 3(b))	-	-	178,119
Dividends payable (note 13)	19,538	25,236	-
Redemptions payable	115,060	53,386	-
Management and administration fees payable (notes 4, 5 & 15)	232,635	253,866	87,889
Accounts payable and accrued expenses	17,369	30,565	8,253
	384,602	363,053	274,261
Net assets	84,836,270	83,339,050	27,552,757
Share capital (note 10)			
Shares authorized 10,000,000 of US\$0.01 each			
Shares outstanding			
Class AC Shares	260,061	317,894	148,350
Class AD Shares	13,025	42,142	-
Class IC Shares	420,880	310,226	73,062
Net asset value per share			
Class AC Shares	USD121.67	USD124.05	USD124.11
Class AD Shares	USD113.63	USD121.23	-
Class IC Shares	USD122.87	USD125.06	USD125.12

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited

Statements of Net Assets

as at June 30, 2009

Income & Growth Portfolio			Purchase		
	Liquidity	Holdings	Price	Fair Value	% of
	Period	in Shares	USD	USD	Net Assets
Investments in investee funds:					
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	16,900	2,666,462	2,897,432	3.42
			2,666,462	2,897,432	3.42
Bonds					
HSBC Investment Solutions Emerging Markets Bond Fund	Daily	362,095	5,955,350	5,348,142	6.30
HSBC Investment Solutions Global Bond Fund - US\$	Daily	1,358,472	14,687,515	14,576,400	17.18
HSBC Investment Solutions Global Credit Bond Fund	Daily	1,294,914	12,733,428	12,729,004	15.01
HSBC Investment Solutions Short-Duration Bond Fund	Daily	791,425	8,125,419	7,779,708	9.17
PIMCO GIS Global Bond Fund	Daily	680,770	9,495,200	9,054,241	10.67
			50,996,912	49,487,495	58.33
Commodity					
Schroder Alternative Solutions Commodity Fund	Daily	9,641	1,000,000	1,138,160	1.34
			1,000,000	1,138,160	1.34
Equities					
HSBC International Select Fund-Multi-Alpha North America Equity	Daily	349,328	2,500,000	2,504,681	2.95
HSBC Investment Solutions Asian Equity Fund	Daily	80,699	958,743	1,418,680	1.67
HSBC Investment Solutions European Growth Fund	Daily	187,085	2,178,221	2,084,769	2.46
HSBC Investment Solutions European Value Fund	Daily	133,215	1,971,445	1,787,388	2.11
HSBC Investment Solutions Global Emerging Markets Equity Fund	Daily	143,106	1,432,753	1,451,094	1.71
HSBC Investment Solutions Japanese Equity Fund	Daily	177,979	1,517,837	1,667,660	1.96
HSBC Investment Solutions UK Equity Fund	Daily	156,080	1,843,756	1,711,938	2.02
HSBC Investment Solutions US Large Cap Fund	Daily	343,937	4,609,594	4,402,391	5.19
HSBC Investment Solutions US Large Cap Growth Fund	Daily	345,894	2,335,708	2,075,367	2.44
HSBC Investment Solutions US Large Cap Value Fund	Daily	189,827	2,003,240	1,397,126	1.65
HSBC Investment Solutions US Small Cap Fund	Daily	85,687	1,541,731	1,406,120	1.66
			22,893,028	21,907,214	25.82
Total investments			77,556,402	75,430,301	88.91
Other net assets				9,405,969	11.09
Total net assets				84,836,270	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited
Statements of Net Assets (Continued)
as at June 30, 2009

Balanced Portfolio			Purchase		
	Liquidity	Holdings	Price	Fair Value	% of
	Period	in Shares	USD	USD	Net Assets
Investments in investee funds:					
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	34,774	4,978,063	5,961,984	7.15
			4,978,063	5,961,984	7.15
Bonds					
HSBC Investment Solutions Emerging Markets Bond Fund	Daily	277,813	4,508,342	4,103,305	4.92
HSBC Investment Solutions Global Bond Fund - US\$	Daily	1,031,365	11,134,099	11,066,544	13.28
HSBC Investment Solutions Global Credit Bond Fund	Daily	753,376	7,571,603	7,405,683	8.89
HSBC Investment Solutions Short-Duration Bond Fund	Daily	487,609	5,059,129	4,793,198	5.75
PIMCO GIS Global Bond Fund	Daily	162,649	2,023,107	2,163,230	2.60
			30,296,280	29,531,960	35.44
Commodity					
Schroder Alternative Solutions Commodity Fund	Daily	9,641	1,000,000	1,138,160	1.36
			1,000,000	1,138,160	1.36
Equities					
HSBC International Select Fund-Multi-Alpha North America Equity	Daily	279,462	2,000,000	2,003,745	2.40
HSBC Investment Solutions Asian Equity Fund	Daily	163,188	2,033,816	2,868,837	3.44
HSBC Investment Solutions Global Emerging Markets Equity Fund	Daily	228,535	2,288,054	2,317,344	2.78
HSBC Investment Solutions European Growth Fund	Daily	334,901	3,137,235	3,731,955	4.48
HSBC Investment Solutions European Value Fund	Daily	291,050	4,303,484	3,905,112	4.69
HSBC Investment Solutions Japanese Equity Fund	Daily	343,881	3,007,279	3,222,166	3.87
HSBC Investment Solutions UK Equity Fund	Daily	271,402	3,105,112	2,976,822	3.57
HSBC Investment Solutions US Large Cap Fund	Daily	637,293	8,195,605	8,157,348	9.79
HSBC Investment Solutions US Large Cap Growth Fund	Daily	795,608	5,623,097	4,773,647	5.73
HSBC Investment Solutions US Large Value Fund	Daily	387,345	4,073,086	2,850,856	3.42
HSBC Investment Solutions US Small Cap Fund	Daily	158,402	3,029,467	2,599,384	3.12
			40,796,235	39,407,216	47.29
Total investments			77,070,578	76,039,320	91.24
Other net assets				7,299,730	8.76
Total net assets				83,339,050	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited
Statements of Net Assets (Continued)
as at June 30, 2009

Capital Growth Portfolio			Purchase		
	Liquidity	Holdings	Price	Fair Value	% of
	Period	in Shares	USD	USD	Net Assets
Investments in investee funds:					
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	10,107	1,546,249	1,732,894	6.29
			1,546,249	1,732,894	6.29
Bonds					
CAAM Funds Global Bond Fund	Daily	546	1,000,000	1,026,191	3.72
HSBC Investment Solutions Emerging Markets Bond Fund	Daily	39,518	643,456	583,675	2.11
HSBC Investment Solutions Global Credit Bond Fund	Daily	137,336	1,343,108	1,350,009	4.90
HSBC Investment Solutions Short-Duration Bond Fund	Daily	74,794	765,678	735,220	2.67
PIMCO GIS Total Return Bond Fund	Daily	70,126	1,000,000	1,007,013	3.66
			4,752,242	4,702,108	17.06
Commodity					
Schroder Alternative Solutions Commodity Fund	Daily	3,374	362,186	398,356	1.45
			362,186	398,356	1.45
Equities					
HSBC International Select Fund-Multi-Alpha North America Equity	Daily	139,731	1,000,000	1,001,872	3.64
HSBC Investment Solutions Asian Equity Fund	Daily	65,315	983,999	1,148,231	4.17
HSBC Investment Solutions Global Emerging Markets Equity Fund	Daily	110,827	1,144,976	1,123,787	4.08
HSBC Investment Solutions European Growth Fund	Daily	151,783	1,729,108	1,691,386	6.14
HSBC Investment Solutions European Value Fund	Daily	138,640	2,093,672	1,860,178	6.75
HSBC Investment Solutions Japanese Equity Fund	Daily	165,688	1,654,243	1,552,500	5.63
HSBC Investment Solutions UK Equity Fund	Daily	134,897	1,544,686	1,479,592	5.37
HSBC Investment Solutions US Large Cap Fund	Daily	283,251	3,835,025	3,625,611	13.16
HSBC Investment Solutions US Large Cap Growth Fund	Daily	331,163	2,224,200	1,986,978	7.21
HSBC Investment Solutions US Large Cap Value Fund	Daily	184,300	1,851,834	1,356,449	4.92
HSBC Investment Solutions US Small Cap Fund	Daily	62,170	1,165,377	1,020,211	3.70
			19,227,120	17,846,795	64.77
Total investments in investee funds			25,887,797	24,680,153	89.57
Investments in securities:					
Equities					
iShares Russell 1000 Value Index Fund	Daily	1,750	82,985	83,282	0.30
iShares Russell 2000 Index Fund	Daily	1,825	93,166	93,221	0.34
Total investments in securities			176,151	176,503	0.64
Total investments			26,063,948	24,856,656	90.21
Other net assets				2,696,101	9.79
Total net assets				27,552,757	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited
Statements of Operations
for the year ended June 30, 2009

	Income & Growth Portfolio USD	Balanced Portfolio USD	Capital Growth Portfolio USD	Strategic Equity Portfolio USD (note 1)
Income				
Dividend income (net of withholding tax of 0, 0, 0 and 1,411, respectively)	2,084,197	1,510,865	266,550	44,373
Rebate income (note 14)	337,664	438,470	107,966	38,997
Interest income	138,124	26,265	6,816	3,466
	2,559,985	1,975,600	381,332	86,836
Expenses				
Management and administration fees (notes 4, 5 & 15)	873,906	983,700	245,461	84,435
Audit fees	15,519	21,415	6,908	5,875
Directors' fees (note 8)	6,965	8,685	2,084	692
Bank charges	290	2,018	277	-
Other expenses	9,931	11,418	3,515	226
	906,611	1,027,236	258,245	91,228
Net investment income/(loss)	1,653,374	948,364	123,087	(4,392)
Net realized gain/(loss) on sale of investments	(113,421)	553,135	163,748	(882,000)
Net change in unrealized gain on investments	(10,331,750)	(19,169,482)	(5,855,020)	(1,486,158)
	(10,445,171)	(18,616,347)	(5,691,272)	(2,368,158)
Net decrease in net assets resulting from operations	(8,791,797)	(17,667,983)	(5,568,185)	(2,372,550)

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited

Statements of Changes in Net Assets

for the year ended June 30, 2009

Income & Growth Portfolio	Class AC USD	Class AD USD	Class IC USD	Total
Net assets at start of the year	36,448,109	1,804,345	52,120,106	90,372,560
Net decrease in net assets from operations				
Net investment income	579,202	28,333	1,045,839	1,653,374
Net realized losses on sale of investments	(46,185)	(2,446)	(64,790)	(113,421)
Net change in unrealized gains on investments	(4,206,583)	(199,460)	(5,925,707)	(10,331,750)
	(3,673,566)	(173,573)	(4,944,658)	(8,791,797)
Subscriptions and redemptions				
Proceeds on issue of shares	4,880,274	55,000	6,939,957	11,875,231
Payments on redemption of shares	(6,012,987)	(163,559)	(2,400,980)	(8,577,526)
	(1,132,713)	(108,559)	4,538,977	3,297,705
Dividends (note 13)	-	(42,198)	-	(42,198)
Net assets at end of the year	31,641,830	1,480,015	51,714,425	84,836,270
Balanced Portfolio				
	Class AC USD	Class AD USD	Class IC USD	Total
Net assets at start of the year	55,484,305	6,754,137	38,065,198	100,303,640
Net decrease in net assets from operations				
Net investment income	453,229	53,675	441,460	948,364
Net realized gains on sale of investments	258,261	33,980	260,894	553,135
Net change in unrealized gains on investments	(10,939,846)	(1,277,069)	(6,952,567)	(19,169,482)
	(10,228,356)	(1,189,414)	(6,250,213)	(17,667,983)
Subscriptions and redemptions				
Proceeds on issue of shares	4,267,006	55,124	9,250,817	13,572,947
Payments on redemption of shares	(10,089,228)	(458,773)	(2,269,229)	(12,817,230)
	(5,822,222)	(403,649)	6,981,588	755,717
Dividends (note 13)	-	(52,324)	-	(52,324)
Net assets at end of the year	39,433,727	5,108,750	38,796,573	83,339,050

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited
Statements of Changes in Net Assets (Continued)
for the year ended June 30, 2009

Capital Growth Portfolio	Class AC USD	Class IC USD	Total
Net assets at start of the year	17,526,999	8,521,333	26,048,332
Net decrease in net assets from operations			
Net investment income	70,126	52,961	123,087
Net realized gains on sale of investments	105,461	58,287	163,748
Net change in unrealized gains on investments	(4,023,598)	(1,831,422)	(5,855,020)
	(3,848,011)	(1,720,174)	(5,568,185)
Subscriptions and redemptions			
Proceeds on issue of shares	7,061,414	2,897,639	9,959,053
Payments on redemption of shares	(2,329,443)	(557,000)	(2,886,443)
	4,731,971	2,340,639	7,072,610
Net assets at end of the year	18,410,959	9,141,798	27,552,757
Strategic Equity Portfolio			
	Class AC USD (note 1)	Class IC USD (note 1)	Total
Net assets at start of the period	7,089,811	1,620,891	8,710,702
Net decrease in net assets from operations			
Net investment income/(loss)	(7,552)	2,160	(5,392)
Net realized gains on sale of investments	(675,618)	(206,382)	(882,000)
Net change in unrealized gains on investments	(1,339,346)	(146,812)	(1,486,158)
	(2,022,516)	(351,034)	(2,373,550)
Subscriptions and redemptions			
Proceeds on issue of shares	756,738	564,834	1,321,572
Payments on redemption of shares	(5,824,033)	(1,834,691)	(7,658,724)
	(5,067,295)	(1,269,857)	(6,337,152)
Net assets at end of the period	-	-	-

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited

Notes to the Financial Statements

for the year ended June 30, 2009

1. The Fund

The HSBC Managed Portfolios Limited (the "Fund") is an open-ended exempted mutual fund company incorporated with limited liability and unlimited duration in Bermuda on August 23, 2002 in accordance with The Companies Act 1981 of Bermuda.

The Company 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 investment objective of the Fund is to achieve high total return over time consistent with an emphasis on capital growth and income while attempting to limit risk through investment in a diversified portfolio of mutual 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 Shares of the Fund are divided into several portfolios ("Portfolios") for which the Fund maintains separate accounts. The assets of each Portfolio 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 Portfolio may be exposed to the liabilities of other Portfolios within the Fund. At June 30, 2009, the Directors were not aware of any such specific existing or contingent liabilities. The following Portfolios are currently available:

	Date of inception
Income & Growth Portfolio – USD	October 16, 2002
Balanced Portfolio – USD	October 16, 2002
Capital Growth Portfolio – USD	October 16, 2002

Strategic Equity Portfolio commenced on July 1, 2008. On June 25, 2009, Capital Growth Portfolio received in-kind contribution of assets from Strategic Equity Portfolio of \$6,238,475, in the form of investments of \$5,488,873, cash of \$765,083, other assets of \$8,887 and other liabilities of \$24,368. The investments were valued at fair value at the time of the contribution.

2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting and reporting policies adopted by the Company 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 statement 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 the valuation day for investments traded on a recognized exchange.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Fund adopted FAS 157, effective July 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

2. Significant Accounting Policies (continued)

(b) Valuation of investments (continued)

assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

(c) Cash and cash equivalents

Cash and cash equivalents includes cash balances, money market funds and short-term fixed deposits with maturity dates of less than 30 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) Rebate income

Rebate income is calculated based on weekly average market values of HSBC Investment Solutions positions held by each portfolio and recorded on the accruals basis.

(f) Expenses

The Fund bears all operating expenses which are allocated between all Portfolios in proportion to the respective net asset value of each Portfolio unless the expense is solely attributable to a specific Portfolio upon which it is allocated to the respective Portfolio.

(g) 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.

(h) Foreign currency translation

Assets and liabilities denominated in currencies other than the base currency of each Portfolio are translated into the base currency at the rate 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 statement of operations under "net realized gain/(loss) on sale of investments" and "net change in unrealized gain on investments" respectively. All other realized and unrealized gains and losses are included in the line item to which they relate.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

2. Significant Accounting Policies (continued)

- (i) **Mandatory redeemable financial instruments**
In accordance with the Statement of Financial Accounting Standards 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 the redemption amount has been determined.
- (j) **Allocation of profits and losses**
All investment income and loss, realized and unrealized gains and losses of each Portfolio is allocated to each class of shares outstanding on a daily basis in proportion to their interest in the net asset value of the Portfolio.
- (k) **Taxation**
The Fund adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, on July 1, 2008. As a result of the implementation the Fund was not required to recognize any amounts for uncertain tax positions.

3. Cash and Cash Equivalents and Bank Overdraft

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

	Income & Growth Portfolio USD	Balanced Portfolio USD	Capital Growth Portfolio USD
Cash at bank	10,000	11,788	189,335
Money market fund	9,705,100	7,552,745	2,745,220
	<u>9,715,100</u>	<u>7,564,533</u>	<u>2,934,555</u>

- (b) **Bank overdraft**
Under an agreement dated October 16, 2006 and amended July 18, 2007, the Bank made available an overdraft facility to the Fund. The maximum amount that may be advanced is the lesser of the sum of 10% of the Net Assets in Custody ("NVAC") held in the Bank's custody for each Portfolio or \$6,750,000.

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 balances drawn at an amount equal to the Bank's base rate plus 125 basis points. During the year, the Fund borrowed and repaid Funds to the Bank with the maximum drawn being \$178,119. At June 30, 2009, \$178,119 is outstanding under this facility. Interest charged during the year related to balances drawn totaled \$1,449.

- (c) **Foreign exchange transactions facility**
Under an agreement dated October 16, 2006, the Bank made available a line of credit to the Fund, up to a maximum of the lesser of \$18,000,000 or 100% of the NAV of each Portfolio. At June 30, 2009, and for the year then ended, nil is outstanding under this facility. The facility is collateralized by the Fund's assets held in the Bank's custody.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

4. Manager

Under an agreement dated August 29, 2002 and amended on October 11, 2006, the Manager is entitled to receive a quarterly fee calculated at a rate outlined below of the average of the weekly value of the net assets of each of the Portfolios during the quarter less the costs associated with the underlying investments net of rebates from the underlying investments. If the current fee rate is to be changed, notice must first be given to the Fund and Shareholders. The maximum management fee permitted under the terms of the amended agreement is 2.50% per annum in the case of each Class. The fee rates incurred during the year were as follows:

<u>Portfolio</u>	<u>Class</u>	<u>Rate</u>
Income & Growth	AC	1.95%
Income & Growth	AD	1.95%
Income & Growth	IC	1.60%
Balanced	AC	2.15%
Balanced	AD	2.15%
Balanced	IC	1.85%
Capital Growth	AC	2.20%
Capital Growth	IC	1.90%
Strategic Equity	AC	2.30%
Strategic Equity	IC	1.95%

The fees and expenses payable to the Custodian and Administrator by the Fund will proportionately reduce amounts payable by the Fund to the Manager (see also note 15). For the year ended June 30, 2009, the Manager invested certain of the Fund's assets in various other HSBC Funds. The Manager received additional management fees on the Fund's assets directly from those HSBC funds in accordance with the respective management agreements.

5. Administrator

Under an agreement dated August 29, 2002 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 and 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 out of fees payable to the Manager.

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.

6. Custodian

Under an agreement dated August 29, 2002, 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 out of fees payable to the Manager. The Custodian has waived all fees for the year ended June 30, 2009.

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 or capital gains taxes are levied in Bermuda and accordingly no provision for such taxes has been recorded by the Fund. In the event that such taxes are levied, the Fund 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.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

8. Directors' Fees

Each of the Directors is entitled to receive from the Fund a fee at such rate as may be set from time to time by the Board of Directors, provided such remuneration shall not exceed an aggregate of USD30,000 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, 2009, there were three Directors eligible to receive fees and who each received an annual fee of USD5,000 from the Fund. Mr. John Hawkins, Ms. Julie McLean and Mr. William Thomson each received an annual fee of USD5,000.

9. Directors' Interests

As at June 30, 2009, the Directors held nil shares of each Portfolio.

10. Share Capital

The present authorized share capital of USD100,000 of the Fund is divided into 9,999,900 voting participating shares ("Shares") of USD0.01 par value each and 100 founders' shares of USD0.01 par value each. The Manager holds all of the 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 winding up. Participating shares may be subscribed for and redeemed on a weekly basis.

	Income & Growth Portfolio Class AC	Income & Growth Portfolio Class AD	Income & Growth Portfolio Class IC
Shares in issue July 1, 2008	271,340	13,983	385,564
Shares issued during the year	39,302	478	55,866
Shares redeemed during the year	(50,581)	(1,436)	(20,550)
Shares in issue June 30, 2009	260,061	13,025	420,880

	Balanced Portfolio Class AC	Balanced Portfolio Class AD	Balanced Portfolio Class IC
Shares in issue July 1, 2008	364,686	44,946	248,914
Shares issued during the year	33,881	469	78,626
Shares redeemed during the year	(80,673)	(3,273)	(17,314)
Shares in issue June 30, 2009	317,894	42,142	310,226

	Capital Growth Portfolio Class AC	Capital Growth Portfolio Class IC
Shares in issue July 1, 2008	109,192	52,813
Shares issued during the year	57,001	23,902
Shares redeemed during the year	(17,843)	(3,653)
Shares in issue June 30, 2009	148,350	73,062

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2009

10. Share Capital (continued)

	Strategic Equity Portfolio Class AC (note 1)	Strategic Equity Portfolio Class IC (note 1)
Shares in issue July 1, 2008	40,970	9,310
Shares issued during the period	6,158	4,736
Shares redeemed during the period	(47,128)	(14,046)
Shares in issue June 30, 2009	-	-

11. Cost of Investments

Cost of Investments as at June 30, 2009	USD
Income & Growth Portfolio	77,556,402
Balanced Portfolio	77,070,578
Capital Growth Portfolio	26,063,948

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 Portfolio 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.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

12. Financial Instruments and Associated Risks (continued)

Liquidity Risk

The Fund mainly invests in certain sub-funds of HSBC Investment Solutions PLC. 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 favorable manner. The Fund manages liquidity risk by investing mainly in funds with daily redemptions.

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, investments and rebates receivable. 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 assets and liabilities. Credit risk is reduced by dealing with reputable counterparties.

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, 2009 if it had liquidated its investments. The Fund has the ability to liquidate its investments periodically depending on the provisions of the respective investee funds' offering documents.

Income & Growth Portfolio – USD, Balanced Portfolio – USD and Capital Growth Portfolio – USD had invested 71%, 78% and 71%, respectively, as of June 30, 2009 of their net assets in HSBC Investment Solutions Plc, a fund managed by HSBC Investments (UK) Limited and administered by HSBC Securities Services (Ireland) Limited. HSBC Investment Solutions Plc is an open ended investment company with variable capital organized under the laws of Ireland and offers several portfolios with various investment objectives through investing in global government bonds, corporate bonds and emerging market debt.

The investee 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 the market value of the securities underlying the financial instruments may be in excess of the amounts recorded on each investee fund's 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.

The agreements relating to investments in investee funds provide for compensation to the investment managers in the form of management fees generally ranging from 0.40% to 1.75% per annum of net assets.

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, 2009.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

13. Dividends

The Directors' intention is to declare semi-annual dividends with respect to the Income & Growth Portfolio and the Balanced Portfolio. There were no dividends declared pertaining to Capital Growth Portfolio. During the year ended June 30, 2009, the Directors of the Fund declared the following dividends:

Dividends Declared		
	Income & Growth Portfolio USD	Balanced Portfolio USD
Class AC dividends declared	-	-
Class AD dividends declared	42,198	52,324
Class IC dividends declared	-	-
Total dividends declared	42,198	52,324
Class AC dividends payable	-	-
Class AD dividends payable	19,538	25,236
Class IC dividends payable	-	-
Total dividends payable	19,538	25,236

The Directors are empowered to declare and pay dividends on any Class of Shares in the Fund. It is intended that at least 85% of each of the Income & Growth Portfolio's, and the Balanced Portfolio's net investment income in Class AD, that is income from dividends, interest or otherwise, less that Portfolio's incurred expenses, will be distributed by way of dividend. Dividends will normally be declared on a semi-annual basis.

14. Rebate Income

Under a sub-distribution agreement dated January 1, 2006, the Manager serves as a sub-distributor of the investee funds. Effective October 2006, the Fund started recording on an accruals basis rebates directly into the Fund. Rebates are earned quarterly and are calculated weekly at a rate ranging from 0.18% to 0.93% of the average of the weekly values of HSBC Investment Solutions positions held by each Portfolio.

15. Management and Administration Fees

	Income & Growth Portfolio USD	Balanced Portfolio USD	Capital Growth Portfolio USD	Strategic Equity Portfolio USD
Class AC management and administration fees	402,074	552,648	176,001	71,352
Class AD management and administration fees	19,478	68,620	-	-
Class IC management and administration fees	452,354	362,432	69,460	13,083
Total management and administration fees	873,906	983,700	245,461	84,435
Management and administration fees payable	232,635	253,866	87,889	-

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

16. Fair Value Measurements

The following table summarizes the valuation of the Fund's investments by the fair value hierarchy levels as of June 30, 2009:

Level	Income & Growth Portfolio USD	Balanced Portfolio USD	Capital Growth Portfolio USD
Level 1			
Investments	-	-	176,503
Level 2			
Investments	75,430,301	76,039,320	24,680,153
Cash Equivalents	9,705,100	7,552,745	2,745,220
Level 3			
Total	85,135,401	83,592,065	27,601,876

17. Financial Highlights

Schedule of Financial Highlights for Income & Growth Portfolio for year ended June 30, 2009

	USD		
	Class AC	Class AD	Class IC
Selected per share data			
Net asset value at July 1, 2008	134.33	129.03	135.18
Income/(loss) from investment operations			
Net investment income	2.15	2.06	2.60
Net realized losses on sale of investments and change in unrealized gains on investments	(14.81)	(14.31)	(14.91)
Total from investment operations	<u>(12.66)</u>	<u>(12.25)</u>	<u>(12.31)</u>
Dividends declared	-	(3.15)	-
Net asset value at end of the year	<u>121.67</u>	<u>113.63</u>	<u>122.87</u>
Total return, excluding dividends declared	(9.42) %	(9.49) %	(9.11) %
Ratios to average net assets			
Total expenses	1.30 %	1.30 %	0.95 %
Net investment income	1.81 %	1.83 %	2.11 %
Supplemental data			
Net assets at end of the year	31,641,830	1,480,015	51,714,425

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2009

17. Financial Highlights (continued)

**Schedule of Financial Highlights for Balanced Portfolio
for year ended June 30, 2009**

	USD		
	Class AC	Class AD	Class IC
Selected per share data			
Net asset value at July 1, 2008	152.14	150.27	152.92
Income/(loss) from investment operations			
Net investment income	1.29	1.27	1.67
Net realized gains on sale of investments and change in unrealized gains on investments	<u>(29.38)</u>	<u>(29.06)</u>	<u>(29.53)</u>
Total from investment operations	<u>(28.09)</u>	<u>(27.79)</u>	<u>(27.86)</u>
Dividends declared	-	(1.25)	-
Net asset value at end of the year	<u>124.05</u>	<u>121.23</u>	<u>125.06</u>
Total return, excluding dividends declared	(18.46) %	(18.49) %	(18.22) %
Ratios to average net assets			
Total expenses	1.38 %	1.39 %	1.09 %
Net investment income	1.09 %	1.04 %	1.27 %
Supplemental data			
Net assets at end of the year	39,433,727	5,108,750	38,796,573

**Schedule of Financial Highlights for Capital Growth Portfolio
for year ended June 30, 2009**

	USD	
	Class AC	Class IC
Selected per share data		
Net asset value at July 1, 2008	160.52	161.35
Income/(loss) from investment operations		
Net investment income	0.63	1.01
Net realized gains on sale of investments and change in unrealized gains on investments	<u>(37.04)</u>	<u>(37.24)</u>
Total from investment operations	<u>(36.41)</u>	<u>(36.23)</u>
Net asset value at end of the year	<u>124.11</u>	<u>125.12</u>
Total return	(22.68) %	(22.45) %
Ratios to average net assets		
Total expenses	1.37 %	1.08 %
Net investment income	0.52 %	0.78 %
Supplemental data		
Net assets at end of the year	18,410,959	9,141,798

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

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2009

18. Subsequent Events

The Directors have assessed and evaluated all subsequent events arising from the date of the statement of assets and liabilities up until November 3, 2009 and has concluded that no additional disclosure is required.

HSBC Managed Portfolios Limited

Management and Administration

for the year ended June 30, 2009

Directors and Officers

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

Guillermo H. Konecny, Director and Vice President
Head of Global Banking and Markets
The Bank of Bermuda Limited

Wayne P. Chapman, Director
Head of Group Private Banking
The Bank of Bermuda Limited

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

Julie E. McLean, Director
Partner
Conyers, Dill & Pearman

Michael L. Schrum, Director
Chief Financial Officer
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

Banker

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

Custodian

HSBC Institutional Trust Services (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

HMP_FS_2009 November 2009

Issued by HSBC Global Asset Management (Bermuda) Limited

© Copyright HSBC Global Asset Management (Bermuda) Limited 2009. All Rights Reserved.

Both AMBM and the Bank are licensed to conduct investment business by the Bermuda Monetary Authority.