

HSBC Managed Portfolios Limited

Annual Report June 2010

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	22

HSBC Managed Portfolios Limited

Manager's Report

for the year ended June 30, 2010

Annual Report Review 2010

Market review

Global growth has improved however the strength of the recovery remains questionable.

- Interest rates in North America and Europe remain low as Central Banks stay focused on weak growth amid benign inflation. US economic numbers remain mixed with manufacturing and industrial production figures showing some strength yet employment, which remains a key to improved growth, remains very weak among most developed nations. Consensus economic growth for the US is 3.3% for 2010 and 3.1% for 2011. In Europe, there remains concern with budget deficits, however some of the fears have been eased following EU support of countries such as Greece and the austerity plans that many nations have begun to put in place to reduce spending and increase revenue.
- Asia and Emerging Markets such as Latin America continue to lead global growth. Economic data has been strong in both regions with South Korea reporting a near 20% increase in industrial production and Brazil having a 9.0% rise in GDP growth as examples. The one region that remains weak within Emerging Markets is Eastern Europe. Despite strong industrial production figures from Russia and Poland, labour markets and consumption remains weak.

Portfolios review

The portfolios rose over the past year led by bonds and equities, an unusual period as conservative and aggressive portfolios were closely in line with each other.

- Within the bond sector, investment grade corporate and high yield bonds led performance. In addition Emerging Market bonds also performed well. We tended to overweight investment grade and high yield while being neutral on Emerging Markets and underweight on government bonds.
- Equities were led by the US and Asian markets. We have favoured both these regions but due to volatility and a lack of conviction in strength of the overall recovery we have tended to be underweight equities relative to bonds and cash.
- The Managed Portfolios evolved into the World Selection funds. The primary change was new strategic allocations to non traditional asset classes such as: commodity, private equity and property sectors.

Outlook

- Growth is expected to improve but at a slow pace as unemployment in the developed nations remains high. We do not expect to see a quick rebound in growth of the developed markets and instead see Emerging Markets leading the recovery. Given the weakness in the recovery of the developed countries we remain cautious in these markets, favouring regions such as Latin America where growth is strong. We also favour investment grade corporate and high yield bonds where valuations remain supportive.

HSBC Global Asset Management (Bermuda) Limited

This Manager's Report contains 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
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 World Selection - Balanced Portfolio USD, the World Selection - Cautious Portfolio USD and the World Selection - Dynamic Portfolio USD (together constituting "HSBC Managed Portfolios Limited"), including the statements of net assets as of June 30, 2010 and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Funds' 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 Funds' 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, 2010, 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
September 29, 2010

HSBC Managed Portfolios Limited
Statements of Assets and Liabilities
as at June 30, 2010

	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD	World Selection - Dynamic Portfolio USD
Assets			
Investments, at fair value (notes 3, 11, 12 & 16)	99,604,364	99,596,774	35,527,742
Cash and cash equivalents (notes 3 & 16)	9,855,265	6,629,397	1,296,349
Rebates receivable (note 14)	29,374	35,890	13,309
Prepaid expenses	739	795	235
	109,489,742	106,262,856	36,837,635
Liabilities			
Dividends payable (note 13)	14,927	11,212	-
Redemptions payable	-	5,243	-
Management and administration fees payable (notes 4, 5 & 15)	325,999	372,481	149,580
Accounts payable and accrued expenses	26,220	27,519	10,945
	367,146	416,455	160,525
Net assets	109,122,596	105,846,401	36,677,110
Net assets attributable to:			
Class AC shares	45,979,886	49,087,260	22,408,223
Class AD shares	2,400,586	4,163,868	-
Class IC shares	60,742,124	52,595,273	14,268,887
	109,122,596	105,846,401	36,677,110
Share capital (note 10)			
Shares authorized 10,000,000 of US\$0.01 each			
Shares outstanding			
Class AC Shares	350,129	366,456	167,985
Class AD Shares	19,904	32,034	-
Class IC Shares	456,429	388,309	105,782
Net asset value per share			
Class AC Shares	USD131.32	USD133.95	USD133.39
Class AD Shares	USD120.61	USD129.98	-
Class IC Shares	USD133.08	USD135.45	USD134.89

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited

Statements of Net Assets

as at June 30, 2010

World Selection - Cautious Portfolio

	Liquidity Period	Holdings in Shares	Purchase Price USD	Fair Value USD	% of Net Assets
Investments in investee funds:					
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	41,469	7,266,462	7,667,677	7.03
			7,266,462	7,667,677	7.03
Bonds					
Alliance Bernstein Global Bond Portfolio	Daily	1,107,025	10,476,857	10,549,945	9.67
HSBC GIF Global Emerging Markets Bond Fund	Daily	184,936	3,516,556	3,658,032	3.35
HSBC International Select Fund-Multi-Alpha Global Aggregate Bond	Daily	2,983,335	31,155,725	31,683,019	29.04
HSBC International Select Fund-Multi-Alpha Global High Yield Bond	Daily	459,493	4,650,000	4,576,553	4.19
			49,799,138	50,467,549	46.25
Commodity					
PIMCO Luxembourg Trust-Commodity Real Return Strategy Fund	Daily	129,390	1,400,000	1,379,298	1.27
Schroder Alternative Solutions Commodity Fund	Daily	36,554	4,300,000	4,235,151	3.88
			5,700,000	5,614,449	5.15
Equities					
HSBC International Select Fund-Multi-Alpha Asia Pacific Ex-Japan Equity	Daily	124,401	1,424,993	1,329,843	1.22
HSBC International Select Fund-Multi-Alpha Europe Equity	Daily	492,573	6,484,748	5,737,995	5.26
HSBC International Select Fund-Multi-Alpha Global Emerging Markets Equity	Daily	546,005	5,360,901	4,935,888	4.52
HSBC International Select Fund-Multi-Alpha Global Real Estate Equity	Daily	243,973	2,200,000	2,207,958	2.02
HSBC International Select Fund-Multi-Alpha Japan Equity	Daily	193,428	1,892,713	1,677,021	1.54
HSBC International Select Fund-Multi-Alpha North America Equity	Daily	952,658	8,027,820	7,621,261	6.98
			25,391,175	23,509,966	21.54
Fixed Income					
Goldman Sachs Global Fixed Income Plus Hedged	Daily	911,067	10,400,000	10,459,046	9.58
			10,400,000	10,459,046	9.58
Total investments in investee funds			98,556,775	97,718,687	89.55
Investments in securities:					
Equities					
Health Care Select Sector SPDR Fund		16,000	505,674	451,200	0.41
iShares S&P Global Consumer Staples Index Fund		7,400	432,136	392,570	0.36
iShares S&P Latin America 40 Index Fund		9,800	404,936	405,916	0.37
PowerShares Listed Private Equity Portfolio		51,000	520,225	420,240	0.39
SPDR S&P International Health Care		1,900	55,804	50,255	0.05
SPDR S&P International Telecom Sector		5,000	114,754	101,800	0.09
Vanguard Telecom Services		1,200	68,446	63,696	0.06
Total investments in securities			2,101,975	1,885,677	1.73
Total investments			100,658,750	99,604,364	91.28
Other net assets				9,518,232	8.72
Total net assets				109,122,596	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, 2010

World Selection - Balanced Portfolio

	Liquidity Period	Holdings in Shares	Purchase Price USD	Fair Value USD	% of Net Assets
Investments in investee funds:					
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	31,008	4,681,648	5,733,434	5.42
			4,681,648	5,733,434	5.42
Bonds					
Alliance Bernstein Global Bond Portfolio	Daily	725,111	6,854,875	6,910,305	6.53
HSBC GIF Global Emerging Markets Bond Fund	Daily	195,641	3,750,000	3,869,786	3.66
HSBC International Select Fund-Multi-Alpha Global Aggregate Bond	Daily	1,970,329	20,568,950	20,924,898	19.77
HSBC International Select Fund-Multi-Alpha Global High Yield Bond	Daily	484,060	4,900,000	4,821,242	4.55
			36,073,825	36,526,231	34.51
Commodity					
PIMCO Luxembourg Trust-Commodity Real Return Strategy Fund	Daily	150,185	1,625,000	1,600,970	1.51
Schroder Alternative Solutions Commodity Fund	Daily	38,035	4,500,000	4,406,775	4.16
			6,125,000	6,007,745	5.67
Equities					
HSBC International Select Fund-Multi-Alpha Asia Pacific Ex-Japan Equity	Daily	218,948	2,520,939	2,340,552	2.21
HSBC International Select Fund-Multi-Alpha Europe Equity	Daily	886,853	11,754,191	10,330,971	9.76
HSBC International Select Fund-Multi-Alpha Global Emerging Markets Equity	Daily	1,075,069	10,582,292	9,718,621	9.18
HSBC International Select Fund-Multi-Alpha Global Real Estate Equity	Daily	331,791	3,000,000	3,002,712	2.84
HSBC International Select Fund-Multi-Alpha Japan Equity	Daily	373,732	3,657,001	3,240,253	3.06
HSBC International Select Fund-Multi-Alpha North America Equity	Daily	1,653,731	14,563,349	13,229,848	12.50
			46,077,772	41,862,957	39.55
Fixed Income					
Goldman Sachs Global Fixed Income Plus Hedged	Daily	604,587	6,900,000	6,940,657	6.56
			6,900,000	6,940,657	6.56
Total investments in investee funds			99,858,245	97,071,024	91.71
Investments in securities:					
Equities					
Health Care Select Sector SPDR Fund		16,000	505,674	451,200	0.43
iShares S&P Global Consumer Staples Index Fund		7,400	432,136	392,570	0.37
iShares S&P Latin America 40 Index Fund		16,500	681,763	683,430	0.64
PowerShares Listed Private Equity Portfolio		95,000	970,259	782,800	0.74
SPDR S&P International Health Care		1,900	55,804	50,255	0.05
SPDR S&P International Telecom Sector		5,000	114,754	101,799	0.10
Vanguard Telecom Services		1,200	68,446	63,696	0.06
Total investments in securities			2,828,836	2,525,750	2.39
Total investments			102,687,081	99,596,774	94.10
Other net assets				6,249,627	5.90
Total net assets				105,846,401	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, 2010

World Selection - Dynamic Portfolio

	Liquidity Period	Holdings in Shares	Purchase Price USD	Fair Value USD	% of Net Assets
Investments in investee funds:					
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	8,765	1,420,055	1,620,707	4.42
			1,420,055	1,620,707	4.42
Bonds					
HSBC GIF Global Emerging Markets Bond Fund	Daily	40,338	775,000	797,891	2.18
HSBC International Select Fund-Multi-Alpha Global Aggregate Bond	Daily	589,088	6,274,186	6,391,608	17.43
HSBC International Select Fund-Multi-Alpha Global High Yield Bond	Daily	128,990	1,300,000	1,284,742	3.50
			8,349,186	8,474,241	23.11
Commodity					
PIMCO Luxembourg Trust-Commodity Real Return Strategy Fund	Daily	41,590	450,000	443,346	1.21
Schroder Alternative Solutions Commodity Fund	Daily	13,117	1,562,186	1,519,753	4.14
			2,012,186	1,963,099	5.35
Equities					
HSBC International Select Fund-Multi-Alpha Asia Pacific Ex-Japan Equity	Daily	130,411	1,519,308	1,394,090	3.80
HSBC International Select Fund-Multi-Alpha Europe Equity	Daily	459,541	6,079,315	5,353,199	14.60
HSBC International Select Fund-Multi-Alpha Global Emerging Markets Equity	Daily	543,503	5,315,000	4,913,263	13.40
HSBC International Select Fund-Multi-Alpha Global Real Estate Equity	Daily	169,193	1,500,000	1,531,199	4.17
HSBC International Select Fund-Multi-Alpha Japan Equity	Daily	198,878	1,937,011	1,724,274	4.70
HSBC International Select Fund-Multi-Alpha North America Equity	Daily	862,086	7,496,819	6,896,686	18.80
			23,847,453	21,812,711	59.47
Total investments in investee funds			35,628,880	33,870,758	92.35
Investments in securities:					
Equities					
Health Care Select Sector SPDR Fund		4,800	151,720	135,360	0.37
iShares S&P Global Consumer Staples Index Fund		4,100	240,210	217,505	0.59
iShares S&P Latin America 40 Index Fund		12,300	508,230	509,466	1.39
PowerShares Listed Private Equity Portfolio		81,000	827,284	667,440	1.82
SPDR S&P International Health Care		1,400	41,125	37,030	0.10
SPDR S&P International Telecom Sector		2,800	64,273	57,008	0.16
Vanguard Telecom Services		625	35,661	33,175	0.09
Total investments in securities			1,868,503	1,656,984	4.52
Total investments			37,497,383	35,527,742	96.87
Other net assets				1,149,368	3.13
Total net assets				36,677,110	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, 2010

	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD	World Selection - Dynamic Portfolio USD
Income			
Dividend income (net of withholding tax of 10,125, 13,949, and 9,915, respectively)	2,613,342	1,745,134	342,354
Rebate income (note 14)	241,321	296,686	102,551
Interest income	2,752	1,908	639
	<u>2,857,415</u>	<u>2,043,728</u>	<u>445,544</u>
Expenses			
Management and administration fees (notes 4, 5 & 15)	1,249,020	1,431,526	579,034
Audit fees	26,956	15,444	7,380
Directors' fees (note 8)	6,721	4,366	2,165
Bank charges	1,071	1,384	1,105
Other expenses	25,654	31,042	16,757
	<u>1,309,422</u>	<u>1,483,762</u>	<u>606,441</u>
Net investment income (loss)	<u>1,547,993</u>	<u>559,966</u>	<u>(160,897)</u>
Net realized gains on sale of investments	4,170,381	7,799,929	2,673,018
Net change in unrealized gains (losses) on investments	1,071,715	(2,059,049)	(762,349)
	<u>5,242,096</u>	<u>5,740,880</u>	<u>1,910,669</u>
Net increase in net assets resulting from operations	<u>6,790,089</u>	<u>6,300,846</u>	<u>1,749,772</u>

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, 2010

World Selection - Cautious Portfolio	Class AC USD	Class AD USD	Class IC USD	Total
Net assets at start of the year	31,641,830	1,480,015	51,714,425	84,836,270
Net increase in net assets from operations				
Net investment income	492,258	23,232	1,032,503	1,547,993
Net realized gain on sale of investments	1,582,285	94,582	2,493,514	4,170,381
Net change in unrealized gains (losses) on investments	252,693	(4,362)	823,384	1,071,715
	2,327,236	113,452	4,349,401	6,790,089
Subscriptions and redemptions				
Proceeds on issue of shares	17,541,223	1,042,091	9,876,213	28,459,527
Payments on redemption of shares	(5,530,403)	(201,283)	(5,197,915)	(10,929,601)
	12,010,820	840,808	4,678,298	17,529,926
Dividends (note 13)	-	(33,689)	-	(33,689)
Net assets at end of the year	45,979,886	2,400,586	60,742,124	109,122,596
World Selection - Balanced Portfolio	Class AC USD	Class AD USD	Class IC USD	Total
Net assets at start of the year	39,433,727	5,108,750	38,796,573	83,339,050
Net increase in net assets from operations				
Net investment income	199,235	29,405	331,326	559,966
Net realized gains on sale of investments	3,601,972	403,111	3,794,846	7,799,929
Net change in unrealized gains (losses) on investments	(893,798)	50,249	(1,215,500)	(2,059,049)
	2,907,409	482,765	2,910,672	6,300,846
Subscriptions and redemptions				
Proceeds on issue of shares	13,195,979	705,261	14,201,844	28,103,084
Payments on redemption of shares	(6,449,855)	(2,095,736)	(3,313,816)	(11,859,407)
	6,746,124	(1,390,475)	10,888,028	16,243,677
Dividends (note 13)	-	(37,172)	-	(37,172)
Net assets at end of the year	49,087,260	4,163,868	52,595,273	105,846,401

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, 2010

World Selection - Dynamic Portfolio	Class AC USD	Class IC USD	Total
Net assets at start of the year	18,410,959	9,141,798	27,552,757
Net increase in net assets from operations			
Net investment loss	(123,931)	(36,966)	(160,897)
Net realized gains on sale of investments	1,735,564	937,454	2,673,018
Net change in unrealized losses on investments	(399,363)	(362,986)	(762,349)
	1,212,270	537,502	1,749,772
Subscriptions and redemptions			
Proceeds on issue of shares	6,001,674	5,509,587	11,511,261
Payments on redemption of shares	(3,216,680)	(920,000)	(4,136,680)
	2,784,994	4,589,587	7,374,581
Net assets at end of the year	22,408,223	14,268,887	36,677,110

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, 2010

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 Fund has been classified as a standard fund in accordance with the Bermuda Monetary Authority Investment Funds 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 HSBC Bank 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 Portfolio. 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, 2010, the Directors were not aware of any such specific existing or contingent liabilities. The following Portfolios are currently available:

	Date of inception
World Selection - Cautious Portfolio - USD	October 16, 2002
World Selection - Balanced Portfolio - USD	October 16, 2002
World Selection - Dynamic Portfolio - USD	October 16, 2002

Effective February 15, 2010, the Income & Growth, Balanced and Capital Growth Portfolios changed their names to World Selection - Cautious, World Selection - Balanced and World Selection - Dynamic Portfolios, respectively.

2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). 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 statement of operations.

Discounts and premiums on debt securities are amortized over life of the respective securities using the effective interest rate method.

- (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 accordance with US GAAP, 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.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2010

2. Significant Accounting Policies (continued)

(b) Valuation of investments (continued)

Accounting guidelines for fair value measurements 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 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 – observable prices and 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 accrual basis. Dividend income is recorded on the ex-dividend date net of withholding tax.

(e) Rebate income

Rebate income is calculated based on investments in certain investee funds and is recorded on an accrual 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 that 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 into the base currency 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 gains on sale of investments" and "net change in unrealized gains (losses) 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, 2010

2. Significant Accounting Policies (continued)

- (i) **Mandatory redeemable financial instruments**
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 provision of FASB Interpretation No. 48, now included in ASC Subtopic 740-10 ("FIN 48"), on July 1, 2008. As a result of the implementation of ASC Subtopic 740-10 (FIN 48), the Fund was not required to recognize any amount of uncertain tax positions.
- (l) **Adoption of Accounting Standards Codification**
In June 2009, the Financial Accounting standards Board ("FASB") established the FAS Accounting Standards Codification (the "Codification") as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with US GAAP. The Codification did not change US GAAP but rather organized it into a hierarchy where all guidance within the codification carries an equal level of authority. The Codification became effective in September 2009. Adoption of the Codification did not have a material effect on the Fund's financial statements.

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.

	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD	World Selection - Dynamic Portfolio USD
Cash at bank	28,101	35,313	27,692
Money market fund	9,827,164	6,594,084	1,268,657
	9,855,265	6,629,397	1,296,349

- (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 5% of the Net Assets in Custody ("NVAC") held in the Bank's custody for each Portfolio or \$250,000,000.

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. At June 30, 2010 and for the year then ended, nil is outstanding under this facility.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2010

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

(c) Foreign exchange transactions facility

Under an agreement dated October 16, 2006, the Bank made available a foreign exchange transactions facility 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, 2010 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.

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>
World Selection - Cautious	AC	1.95%
World Selection - Cautious	AD	1.95%
World Selection - Cautious	IC	1.60%
World Selection - Balanced	AC	2.15%
World Selection - Balanced	AD	2.15%
World Selection - Balanced	IC	1.85%
World Selection - Dynamic	AC	2.20%
World Selection - Dynamic	IC	1.90%

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, 2010, 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, 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.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2010

6. Custodian

Under an agreement dated August 29, 2002, the Bank was appointed Custodian for the Fund. Pursuant to a novation agreement dated October 29, 2009, HSBC Institutional Trust Services (Bermuda) Limited was appointed as Custodian to replace the Bank.

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 fees are charged on a per transaction basis.

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.

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, 2010, 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, 2010, 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.

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2010

10. Share Capital (continued)

	World Selection - Cautious Portfolio Class AC	World Selection - Cautious Portfolio Class AD	World Selection - Cautious Portfolio Class IC
Shares in issue July 1, 2009	260,061	13,025	420,880
Shares issued during the year	132,220	8,507	74,676
Shares redeemed during the year	(42,152)	(1,628)	(39,127)
Shares in issue June 30, 2010	350,129	19,904	456,429

	World Selection - Balanced Portfolio Class AC	World Selection - Balanced Portfolio Class AD	World Selection - Balanced Portfolio Class IC
Shares in issue July 1, 2009	317,894	42,142	310,226
Shares issued during the year	96,079	5,244	102,677
Shares redeemed during the year	(47,517)	(15,352)	(24,594)
Shares in issue June 30, 2010	366,456	32,034	388,309

	World Selection - Dynamic Portfolio Class AC	World Selection - Dynamic Portfolio Class IC
Shares in issue July 1, 2009	148,350	73,062
Shares issued during the year	43,150	39,466
Shares redeemed during the year	(23,515)	(6,746)
Shares in issue June 30, 2010	167,985	105,782

11. Cost of Investments

Cost of Investments as at June 30, 2010	USD
World Selection - Cautious Portfolio	100,658,750
World Selection - Balanced Portfolio	102,687,081
World Selection - Dynamic Portfolio	37,497,383

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.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2010

12. Financial Instruments and Associated Risks (continued)

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 and investment in other investment companies exposed to significant interest rate risk. The Fund's exposure to interest rate risk through its investment in investee fund's is limited to its investment in such funds.

Liquidity Risk

The Fund mainly invests in certain sub-funds of HSBC International Select Fund. 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 managed 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, 2010 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.

Cautious Portfolio – USD, Balanced Portfolio – USD and Dynamic Portfolio – USD had invested 55%, 64% and 80%, respectively, as of June 30, 2010 of their net assets in HSBC International Select Fund, a fund managed by HSBC Investment Funds (Luxembourg) S.A and administered by RBC Dexia Investor Services Bank S.A. HSBC International Select Fund is an open ended investment company with multiple sub-funds organized under the laws of Luxembourg and offers several portfolios with various investment objectives through investing in global government bonds, corporate bonds and emerging market debt. The Fund and HSBC International Select Fund are related due to having investment managers under common control.

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 0.04% to 0.25% per annum of net assets.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2010

12. Financial Instruments and Associated Risks (continued)

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 Portfolio's proportionate share exceeds 5% of the Portfolio's net assets as of June 30, 2010.

13. Dividends

The Directors' intention is to declare semi-annual dividends with respect to the World Selection Cautious-Portfolio and the World Selection-Balanced Portfolio. There were no dividends declared pertaining to World Selection-Dynamic Portfolio. During the year ended June 30, 2010 the Directors of the Fund declared the following dividends:

Dividends Declared

	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD
Class AC dividends declared	-	-
Class AD dividends declared	33,689	37,172
Class IC dividends declared	-	-
Total dividends declared	33,689	37,172
Class AC dividends payable	-	-
Class AD dividends payable	14,927	11,212
Class IC dividends payable	-	-
Total dividends payable	14,927	11,212

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 World Selection-Cautious Portfolio's, and the World Selection-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 for HSBC Investment Solutions and July 6, 2009 for HSBC International Select, 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 0.04% to 0.25% of the average of the weekly values of HSBC International Select positions held by each Portfolio. All World Selection portfolios transferred out of HSBC Investment Solutions funds to HSBC International Select funds in the 3rd quarter of the year. Rebates ranging from 0.18% to 0.93% were earned during this period.

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2010

15. Management and Administration Fees

	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD	World Selection - Dynamic Portfolio USD
Class AC management and administration fees	551,716	730,224	399,122
Class AD management and administration fees	29,433	83,865	-
Class IC management and administration fees	667,871	617,437	179,912
Total management and administration fees	1,249,020	1,431,526	579,034
Management and administration fees payable	325,999	372,481	149,580

16. Fair Value Measurements

The following table summarizes the valuation of the Fund's investments by investment type within each portfolio by the fair value hierarchy levels as of June 30, 2010:

World Selection - Cautious Portfolio

	Level 1	Level 2	Level 3	Total
Investments in investee funds, at fair value:				
Alternative	\$ -	\$ 7,667,677	\$ -	\$ 7,667,677
Bonds	50,467,549	-	-	50,467,549
Commodity	5,614,449	-	-	5,614,449
Equities	23,509,966	-	-	23,509,966
Fixed Income	10,459,046	-	-	10,459,046
Total investments in investee funds, at fair value	90,051,010	7,667,677	-	97,718,687
Investments in securities, at fair value:				
Equities	1,885,677	-	-	1,885,677
Cash equivalents	9,827,164	-	-	9,827,164
Total	\$ 101,763,851	\$ 7,667,677	\$ -	\$ 109,431,528

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2010

16. Fair Value Measurements (continued)

World Selection - Balanced Portfolio

	Level 1	Level 2	Level 3	Total
Investments in investee funds, at fair value:				
Alternative	\$ -	\$ 5,733,434	\$ -	\$ 5,733,434
Bonds	36,526,231	-	-	36,526,231
Commodity	6,007,745	-	-	6,007,745
Equities	41,862,957	-	-	41,862,957
Fixed Income	6,940,657	-	-	6,940,657
Total investments in investee funds, at fair value	91,337,590	5,733,434	-	97,071,024
Investments in securities, at fair value:				
Equities	2,525,750	-	-	2,525,750
Cash equivalents	6,594,084	-	-	6,594,084
Total	\$ 100,457,424	\$ 5,733,434	\$ -	\$ 106,190,858

World Selection - Dynamic Portfolio

	Level 1	Level 2	Level 3	Total
Investments in investee funds, at fair value:				
Alternative	\$ -	\$ 1,620,707	\$ -	\$ 1,620,707
Bonds	8,474,241	-	-	8,474,241
Commodity	1,963,099	-	-	1,963,099
Equities	21,812,711	-	-	21,812,711
Total investments in investee funds, at fair value	32,250,051	1,620,707	-	33,870,758
Investments in securities, at fair value:				
Equities	1,656,984	-	-	1,656,984
Cash equivalents	1,268,657	-	-	1,268,657
Total	\$ 35,175,692	\$ 1,620,707	\$ -	\$ 36,796,399

At June 30, 2010, the Fund held positions in Investee Funds which utilized the following investment strategies as disclosed in the statement of net assets:

Alternative – This strategy includes investments in hedge funds that provide diversification by investing in different strategies to reduce risk.

Bonds – This strategy mainly holds long bond positions and the manager may have a geographical focus.

Commodity – This strategy mainly has investments in commodity related instruments.

Equities – This strategy mainly holds long equity positions and the manager may have a geographical or sector specific focus.

Fixed Income – This strategy mainly holds long fixed income positions, which may have a geographical focus.

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2010

17. Financial Highlights

Schedule of Financial Highlights for World Selection - Cautious Portfolio
for year ended June 30, 2010

	USD		
	Class AC	Class AD	Class IC
Selected per share data			
Net asset value at July 1, 2009	121.67	113.63	122.87
Income from investment operations			
Net investment income	1.90	1.76	2.38
Net realized gains on sale of investments and change in unrealized gains on investments	7.75	7.27	7.83
Total from investment operations	<u>9.65</u>	<u>9.03</u>	<u>10.21</u>
Dividends declared	-	(2.05)	-
Net asset value at end of the year	<u>131.32</u>	<u>120.61</u>	<u>133.08</u>
Total return	7.93 %	7.95 %	8.31 %
Ratios to average net assets			
Total expenses	1.54 %	1.54 %	1.19 %
Net investment income	1.32 %	1.17 %	1.75 %
Supplemental data			
Net assets at end of the year	45,979,886	2,400,586	60,742,124

Schedule of Financial Highlights for World Selection - Balanced Portfolio
for year ended June 30, 2010

	USD		
	Class AC	Class AD	Class IC
Selected per share data			
Net asset value at July 1, 2009	124.05	121.23	125.06
Income from investment operations			
Net investment income	0.64	0.63	1.06
Net realized gains on sale of investments and change in unrealized gains on investments	9.26	9.07	9.33
Total from investment operations	<u>9.90</u>	<u>9.70</u>	<u>10.39</u>
Dividends declared	-	(0.95)	-
Net asset value at end of the year	<u>133.95</u>	<u>129.98</u>	<u>135.45</u>
Total return	7.98 %	8.00 %	8.31 %
Ratios to average net assets			
Total expenses	1.66 %	1.66 %	1.36 %
Net investment income	0.44 %	0.56 %	0.70 %
Supplemental data			
Net assets at end of the year	49,087,260	4,163,868	52,595,273

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2010

17. Financial Highlights (continued)

Schedule of Financial Highlights for World Selection - Dynamic Portfolio for year ended June 30, 2010	USD	
	Class AC	Class IC
Selected per share data		
Net asset value at July 1, 2009	124.11	125.12
Income/(loss) from investment operations		
Net investment loss	(0.75)	(0.34)
Net realized gains on sale of investments and change in unrealized gains on investments	10.03	10.11
Total from investment operations	<u>9.28</u>	<u>9.77</u>
Net asset value at end of the year	<u>133.39</u>	<u>134.89</u>
Total return	7.48 %	7.81 %
Ratios to average net assets		
Total expenses	1.92 %	1.62 %
Net investment loss	(0.57) %	(0.32) %
Supplemental data		
Net assets at end of the year	22,408,223	14,268,887

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

18. Subsequent Events

The Directors have assessed and evaluated all subsequent events arising from the date of statement of assets and liabilities up until September 29, 2010 and has concluded that no additional disclosure is required

HSBC Managed Portfolios Limited

Management and Administration

for the year ended June 30, 2010

Directors and Officers

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

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

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

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

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

Michael L. Schrum, Director
Chief Financial Officer
HSBC Bank Bermuda Limited

Secretary and Registered Office

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

Manager

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

Banker

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11, Bermuda

Custodian

HSBC Institutional Trust Services (Bermuda) Limited
6 Front Street
Hamilton HM 11, Bermuda

Administrator

HSBC Securities Services (Bermuda) Limited
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 Ltd
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Client Services

Telephone: (441) 299-6900
Facsimile: (441) 299-6061
Email: ifs.investor.services@us.hsbc.com

Sales Team

Telephone: (441) 299-5900
Facsimile: (441) 299-6537
Email: investmentcentre@hsbc.bm

www.hsbc.bm

We are a principal member of the HSBC Group, one of the world's largest banking and financial services organisations with around 8,000 offices in 87 countries and territories.

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HMP_FS_2010 October 2010

Issued by HSBC Bank Bermuda Limited

© Copyright HSBC Bank Bermuda Limited 2010. All Rights Reserved.

HSBC Bank Bermuda Limited is licensed to conduct investment business by the Bermuda Monetary Authority.