

HSBC Fund of Funds Limited

Annual Report June 2009

HSBC Fund of Funds Limited

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Bond Class

Manager's Report

For the year ended June 30, 2009

Portfolio Overview

The Bond Class was down 2.7% as most asset classes plummeted during the credit crisis.

- Government allocations within the portfolio along with our liquidity and cash positions were a benefit to the portfolio in the second half of 2008, however as risk aversion eased after February 2009, our credit, high yield and emerging market Debt led the portfolio.
- By the start of 2009 our in house views on credit and high yield turned positive and we moved during the course of the year to increase these allocations.
- At the end of June we remained negative on government securities, positive on high yield and investment grade credit.

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.

Equity Class Manager's Report

For the year ended June 30, 2009

Portfolio Overview

The Equity Class experienced a very tough year as the financial crisis took hold.

- The portfolio declined 24.7% over the past year and although it is little relief to investors, the portfolio did outperform the MSCI World All Country index which was down 29.3%.
- The declines in Q4 08 and during February of 2009 were severe however our defensive positioning helped limit losses and as markets began to rise from the lows our positive bias towards Asia, Emerging Markets and the financial and technology sectors benefited the portfolio.

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 showed 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.



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of assets and liabilities of the Bond Class USD, the Equity Class USD and the Alternative Class USD (together constituting "HSBC Fund of Funds Limited"), including the statements of net assets, as of June 30, 2009, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HSBC Fund of Funds Limited as of June 30, 2009, the results of its operations and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Chartered Accountants
Hamilton, Bermuda
November 3, 2009

HSBC Fund of Funds Limited
Statements of Assets & Liabilities
as at June 30, 2009

	Bond Class USD	Equity Class USD	Alternative Class USD
Assets			
Investments at fair value (notes 3(b), 11, 12, 13 & 15)	19,454,296	34,459,380	148,522,252
Cash and cash equivalents (note 3)	1,007,279	3,057,234	205,452
Receivable for investments sold	-	-	2,570,000
Dividends and interest receivable	-	8,184	-
Accounts receivable	28,733	42,113	-
Prepaid expenses	246	470	2,927
	20,490,554	37,567,381	151,300,631
Liabilities			
Redemption payable	-	-	2,681,397
Dividends payable (note 14)	122,966	-	-
Subscriptions received in advance	-	-	2,067,493
Management and administration fees payable (notes 4 & 5)	64,428	92,984	382,389
Accounts payable and accrued expenses	22,702	16,545	47,315
	210,096	109,529	5,178,594
Net assets	20,280,458	37,457,852	146,122,037
Share capital (note 10)			
Shares outstanding	166,604	331,650	843,182
Net asset value per share	USD121.73	USD112.94	USD173.30

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited

Statements of Net Assets

as at June 30, 2009

Bond Class	Liquidity Period	Holdings in Shares	Purchase Price USD	Fair Value USD	% of Net Assets
Investment in investee funds:					
Corporate Credit					
HSBC Investment Solutions Global Credit Bond Fund	Daily	190,171	1,806,468	1,869,381	9.22
			1,806,468	1,869,381	9.22
Global					
CAAM Funds Global Bond Fund Class I	Daily	1,141	1,999,999	2,142,745	10.57
Franklin Templeton Investment Funds - Templeton Global Bond Fund Class A (DIS)	Daily	121,578	1,583,302	2,099,656	10.35
Goldman Sachs Global Fixed Income Portfolio	Daily	131,574	1,852,899	1,945,975	9.60
Goldman Sachs Global High Yield Portfolio Class I	Daily	187,466	1,903,727	1,595,331	7.87
Invesco Bond Fund Class C	Daily	72,950	1,528,829	1,997,371	9.85
Legg Mason Global Funds Plc - Brandywine Global Opportunities Bond Fund Class A US \$(DIS)	Daily	23,546	2,601,099	2,535,170	12.50
PIMCO GIS Global Bond Fund Class Institutional Income	Daily	160,011	2,043,457	2,128,142	10.49
PIMCO GIS Total Return Bond Fund Class Institutional Accumulation	Daily	145,790	2,045,465	2,093,538	10.32
			15,558,777	16,537,928	81.55
North America					
HSBC Global Investment Funds - US Dollar Core Plus Bond Class ZC	Daily	80,457	1,000,000	1,046,987	5.16
			1,000,000	1,046,987	5.16
Total investments			18,365,245	19,454,296	95.93
Other net assets				826,162	4.07
Total net assets				20,280,458	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
Statements of Net Assets (Continued)
as at June 30, 2009

Equity Class	Liquidity Period	Holdings in Shares	Purchase Price USD	Fair Value USD	% of Net Assets
Investment in investee funds:					
Emerging Market					
Gartmore SICAV Emerging Markets Fund Class D1	Daily	175,762	1,508,866	2,149,571	5.74
Traditional Funds p.l.c. - Global Emerging Markets Fund Class Acc	Daily	90,909	1,000,000	1,000,000	2.67
			2,508,866	3,149,571	8.41
Europe					
Alliance Bernstein European Value Fund	Daily	89,847	1,228,000	1,107,800	2.96
Baring Eastern Europe Fund	Daily	6,319	1,010,850	472,379	1.26
Gartmore SICAV Continental European Fund Class A1	Daily	381,078	1,526,377	2,205,068	5.88
MFS Meridian Funds - Continental European Equity Fund Class I2	Daily	12,454	1,453,966	2,021,911	5.40
			5,219,193	5,807,158	15.50
Global					
Orbis Global Equity Fund	Weekly	24,264	1,500,000	2,344,872	6.26
Schroder Alternative Solutions Commodity Fund Class C	Daily	7,017	1,000,000	828,368	2.21
			2,500,000	3,173,240	8.47
Asia					
GAM Star Fund p.l.c. - Japan Equity JPY Class	Daily	148,259	1,000,000	1,465,794	3.91
Polar Capital Japan Fund	Daily	69,204	1,000,000	1,093,425	2.92
Invesco Fund Series - Asian Equity Fund Class C	Daily	534,723	1,552,431	2,160,280	5.77
			3,552,431	4,719,499	12.60
North America					
Findlay Park American Smaller Companies Fund USD Class	Daily	48,856	1,200,000	1,546,767	4.13
Investec Global Strategy Fund American Equity Fund Class A	Daily	35,751	3,522,200	2,207,274	5.90
JPMorgan Investment Funds - US Select Equity Fund Class B	Daily	13,606	1,250,000	1,490,966	3.98
Morgan Stanley SICAV US Value Equity Fund Class I	Daily	122,697	2,164,377	1,954,565	5.22
Schroder International Selection US Smaller Companies Fund Class C	Daily	40,050	1,622,421	2,356,536	6.29
Vanguard Investment Series - US Opportunities Fund	Daily	13,587	2,252,747	2,862,070	7.64
			12,011,745	12,418,178	33.16
United Kingdom					
Invesco Fund Series - UK Equity Fund Class C	Daily	150,700	2,093,035	1,025,262	2.74
HSBC Global Investment Funds UK Equity	Daily	34,344	2,039,850	1,107,297	2.95
			4,132,885	2,132,559	5.69
Total investments in investee funds			29,925,120	31,400,205	83.83
Investment in securities:					
Equities					
Financial Select Sector SPDR Fund	Daily	135,000	2,542,155	1,613,250	4.31
iShare Dow Jones US Technology Sector Index Fund	Daily	32,500	1,895,243	1,445,925	3.86
Total investments in securities			4,437,398	3,059,175	8.17
Total investments			34,362,518	34,459,380	92.00
Other net assets				2,998,472	8.00
Total net assets				37,457,852	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
Statements of Net Assets (Continued)
as at June 30, 2009

Alternative Class	Liquidity Period	Holdings in Shares	Purchase Price USD	Fair Value USD	% of Net Assets
Investment in investee funds:					
Multi-Strategy					
HSBC Portfolio Selection Fund GH Fund Class AP	Monthly	1,174,646	127,402,613	148,522,252	101.64
			127,402,613	148,522,252	101.64
Total investments			127,402,613	148,522,252	101.64
Other net liabilities				(2,400,215)	(1.64)
Total net assets				146,122,037	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
Statements of Operations
for the year ended June 30, 2009

	Bond Class USD	Equity Class USD	Alternative Class USD
Income			
Dividend income	831,440	172,957	-
Interest income	26,615	25,140	-
Rebate income	5,686	-	-
Other income	10,269	10,573	-
	<u>874,010</u>	<u>208,670</u>	<u>-</u>
Expenses			
Management and administration fees (notes 4 & 5)	232,837	347,957	1,761,338
Audit fees	8,415	12,960	45,000
Directors' fees (note 8)	1,403	2,692	13,381
Bank charges (note 3(b))	1,342	948	6,428
Other expenses	7,577	9,798	29,488
	<u>251,574</u>	<u>374,355</u>	<u>1,855,635</u>
Net investment income/(loss)	<u>622,436</u>	<u>(165,685)</u>	<u>(1,855,635)</u>
Net realized gains/(losses) on sale of investments	446,647	(2,361,743)	10,861,978
Net change in unrealized gains on investments	(1,769,613)	(9,334,444)	(42,663,014)
	<u>(1,322,966)</u>	<u>(11,696,187)</u>	<u>(31,801,036)</u>
Net decrease in net assets resulting from operations	<u>(700,530)</u>	<u>(11,861,872)</u>	<u>(33,656,671)</u>

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited
Statements of Changes in Net Assets
for the year ended June 30, 2009

	Bond Class USD	Equity Class USD	Alternative Class USD
Net assets at start of the year	24,850,311	47,477,085	242,443,898
Net decrease in net assets from operations			
Net investment income/(loss)	622,436	(165,685)	(1,855,635)
Net realized gains/(losses) on sale of investments	446,647	(2,361,743)	10,861,978
Net change in unrealized gains on investments	(1,769,613)	(9,334,444)	(42,663,014)
	(700,530)	(11,861,872)	(33,656,671)
Subscriptions and redemptions			
Proceeds on issue of shares	5,443,519	5,945,090	22,042,945
Payments on redemption of shares	(8,744,771)	(4,102,451)	(84,708,135)
	(3,301,252)	1,842,639	(62,665,190)
Dividends (note 14)	(568,071)	-	-
Net assets at end of the year	20,280,458	37,457,852	146,122,037

The accompanying notes form an integral part of these Financial Statements

HSBC Fund of Funds Limited

Notes to the Financial Statements

for the year ended June 30, 2009

1. The Fund

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

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

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

The Fund has been classified as a standard fund under the Investment Fund Act 2006 of Bermuda.

The Shares of the Fund are divided into several classes ("Classes") for which the Fund maintains separate accounts. The assets of each class of the Fund are held exclusively for the benefit of the holders of the shares of the relevant classes. However, all assets of the Fund are subject to the general creditors of the Fund, in that the assets of each Class may be exposed to the liabilities of other Classes within the Fund. At June 30, 2009 the Directors were not aware of any such specific existing or contingent liabilities. The following Classes are currently available:

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

2. Significant Accounting Policies

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

- (a) Investment transactions and income
Investment transactions are recorded on the trade date. Realized gains and losses on investment transactions are calculated on a weighted average cost basis and are included in the statements of operations.
- (b) Valuation of investments
Investments are valued at fair value at the latest available price as quoted by the management of the respective mutual funds or the last published prices as of valuation day for investments traded on a 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 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

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

2. Significant Accounting Policies (continued)

(b) Valuation of investments (continued)

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 include cash balances, money market funds and short-term fixed deposits with maturity dates of less than 90 days from the date of purchase.

(d) Interest and dividend income

Interest income is recorded on the accruals basis. Dividend income is recorded on the ex-dividend date net of withholding tax.

(e) Expenses

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

(f) Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(g) Foreign currency translation

Assets and liabilities denominated in currencies other than the base currency of each Class are translated into the base currency at the rate of exchange prevailing at the date of the financial statements. Transactions during the year in currencies other than the base currency have been translated at the rate of exchange prevailing on the date of the transaction. Realized and unrealized gains and losses on translation of investment balances are included in the statements of operations in "net realized gains/(losses) on sale of investments" and "net change in unrealized gains on investments" respectively. All other realized and unrealized gains and losses on foreign currency translation are included in the line item to which they relate.

(h) 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 redemption amount has been determined.

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

2. Significant Accounting Policies (continued)

- (i) **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.
- (j) **Forward currency contracts**
Forward currency contracts are valued at the forward rate and are marked-to-market daily. The change in market value is recorded by the respective Class as an unrealized gain or loss in the statement of operations. When the contract is closed, the Class records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

3. Cash and Cash Equivalents and Bank Overdraft

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

	Bond Class USD	Equity Class USD	Alternative Class USD
Cash at bank	10,157	940,329	205,452
Money market fund	997,122	2,116,905	-
	1,007,279	3,057,234	205,452

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

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 overdrawn balances at an amount equal to the Bank's Base Rate plus 125 basis points. At June 30, 2009, \$nil is outstanding under this facility. During the year, the Fund borrowed and repaid funds from the Bank with the maximum approved amount drawn being to amend \$4,689,692. Interest charged during the year relating to the balances drawn totaled \$7,230.

- (c) **Foreign Exchange Transactions Facility**
Under an agreement dated July 18, 2007, the Bank made available an uncommitted foreign exchange transactions facility to the Fund. This facility provides for a Foreign Currency Transaction Line up to a maximum at any time of the lesser at such time of \$22.5 million or 100% of the NAV with respect to Bond and Equity Class. The Bank reserves the right at its absolute discretion to decide whether or not any utilization may be made and to specify conditions only upon compliance with which such utilization may be made. This facility will be governed by an ISDA Master Agreement. At June 30, 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 Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

4. Manager

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

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

For the year ended June 30, 2009, the Manager has invested certain of the Fund's assets in various other HSBC Funds. The Manager received additional management fees on the assets directly from those funds in accordance with the respective management agreements.

5. Administrator

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

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 May 29, 1998, the Bank was appointed as Custodian for the Fund.

The Custodian is entitled to receive fees from the Fund for services provided at such rates agreed from time to time between the Fund and the Custodian. Such fees will proportionately reduce the amounts payable by the Fund to the Manager (see Note 4). The Custodian has waived all fees for the year ended June 30, 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, withholding or capital gains taxes are levied in Bermuda and, accordingly, no provision for such taxes has been recorded by each Class. In the event that such taxes are levied, the Fund has received an undertaking from the Bermuda Government, under the Exempted Undertaking Tax Protection Act 1966, exempting it from all such taxes until March 28, 2016.

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

8. Directors' Fees

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

For the year ended June 30, 2009, Mr. John Hawkins, Mr. William Thomson and Ms. Julie McLean each received an annual fee of \$5,000.

9. Directors' Interests

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

10. Share Capital

The present authorized share capital of \$512,000 of the Fund is divided into 5,000,000 voting participating shares ("Shares") of \$0.10 par value each and 120,000 founders' shares of \$0.10 par value each. The Manager holds all founders' shares, nil paid. The founders' shares do not have any voting or other rights and are only entitled to the return of capital paid upon a winding-up. Participating shares may be subscribed for and redeemed on a monthly basis.

	Bond Class	Equity Class	Alternative Class
Shares in issue July 1, 2008	193,822	316,759	1,204,600
Shares issued during the year	45,977	56,541	121,993
Shares redeemed during the year	(73,195)	(41,650)	(483,411)
Shares in issue June 30, 2009	166,604	331,650	843,182

11. Cost of Investments

Cost of Investments as at June 30, 2009	USD
Bond Class	18,365,245
Equity Class	34,362,518
Alternative Class	127,402,613

12. Financial Instruments and Associated Risks

Market Risk

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

Currency Risk

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

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

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.

Liquidity Risk

The Fund may invest in debt securities and other investment companies that are not publicly traded or for which there is no liquid market. The Fund is exposed to liquidity risk to the extent that it is unable to realize its positions to meet liabilities and redemptions as they fall due in a timely and favorable manner. The liquidity profile of the Fund's investment portfolio as at June 30, 2009 is disclosed in the statements of net assets. 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 amounts due from broker. 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.

13. Investments in Other Investment Funds

The investments in other investment funds (the "investee funds") are valued at their fair value. The fair value represents the amount the Fund would have received at June 30, 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 fund's offering documents.

As of June 30, 2009, the Alternative Class has an investment in HSBC GH Fund AP Class (the "investee fund") of the HSBC Portfolio Selection Fund, a fund managed by HSBC Management (Guernsey) Limited and advised by HSBC Alternative Investments Limited, representing 102.00% of its net assets. The objective of the investee fund is to provide a total return from selective investment in a number of hedge funds, which utilize and trade a range of different strategies and markets worldwide.

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

Complete information about the underlying investments held by the investee funds is not readily available, so it is unknown whether the investee funds hold any single investment whereby each class' proportionate share exceeds 5% of the class' net assets as of June 30, 2009.

14. Dividends

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

HSBC Fund of Funds Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2009

14. Dividends (continued)

During the year ended June 30, 2009, the Directors of the Bond Class declared the following dividends:

	USD
Dividends declared	568,071
Dividends payable	122,966

15. 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	Bond Class USD	Equity Class USD	Alternative Class USD
Level 1			-
Investments	-	3,059,175	-
Level 2			
Investments	19,454,296	31,400,205	148,522,252
Cash Equivalents	997,122	2,116,905	-
Level 3	-	-	-
Total	20,451,418	36,576,285	148,522,252

16. Financial Highlights

Schedule of Financial Highlights for Bond Class
for year ended June 30, 2009

	USD
Selected per share data	
Net asset value at July 1, 2008	128.21
Income/(loss) from investment operations	
Net investment income	3.19
Net realized gains on sale of investments and change in unrealized gains on investments	(6.67)
Total from investment operations	(3.48)
Dividends declared	(3.00)
Net asset value at end of the year	121.73
Total return, excluding dividends declared	(2.72) %
Ratios to average net assets	
Total expenses	1.08 %
Net investment income	2.68 %

HSBC Fund of Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2009

16. Financial Highlights (continued)

Schedule of Financial Highlights for Equity Class for year ended June 30, 2009

USD

Selected per share data

Net asset value at July 1, 2008 149.88

Income/(loss) from investment operations

Net investment loss (0.52)

Net realized losses on sale of investments and change
in unrealized gains on investments (36.42)

Total from investment operations (36.94)

Net asset value at end of the year 112.94

Total return (24.65) %

Ratios to average net assets

Total expenses 1.08 %

Net investment loss (0.48) %

Schedule of Financial Highlights for Alternative Class for year ended June 30, 2009

USD

Selected per share data

Net asset value at July 1, 2008 201.27

Income/(loss) from investment operations

Net investment loss (1.85)

Net realized gains on sale of investments and change
in unrealized gains on investments (26.11)

Total from investment operations (27.97)

Net asset value at end of the year 173.30

Total return (13.90) %

Ratios to average net assets

Total expenses 1.06 %

Net investment loss (1.06) %

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

17. 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 Fund of Funds 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

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The Bank of Bermuda Limited
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Hamilton HM 11, Bermuda

Custodian

The Bank of Bermuda Limited
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Administrator

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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
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