

HSBC Managed Portfolio Limited

Annual Report June 2008

HSBC Managed Portfolios Limited

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HSBC Managed Portfolios Limited

Manager's Report

For the year ended June 30, 2008

Portfolio Overview

The portfolios were ahead of their respective benchmarks during a difficult year that saw declines in both corporate bond and equities markets.

- ▶ The portfolios' returns were led by HSBC Investment Solutions US Large Cap Growth Fund (+0.3%), HSBC Investment Solutions Emerging Markets Equity Fund (+5.0%) and those with bond exposure benefited from HSBC Investment Solutions Global Credit Bond Fund (+5.4%) and HSBC Investment Solutions Short-Duration Bond Fund (+5.5%).
- ▶ Although bond markets were weak, the HSBC Investment Solutions Global Credit Bond Fund benefited from currency exposure as euro and sterling denominated bonds exceeded the performance of US dollar denominated holdings.
- ▶ Paring these positive gains were weaknesses in European, Asian and US equities with the exception of HSBC Investment Solutions US Large Cap Growth Fund.

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

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

Outlook

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

HSBC Global Asset Management (Bermuda) Limited



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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, the Capital Growth Portfolio USD and the Strategic Equity Portfolio USD (constituting "HSBC Managed Portfolios Limited"), including the statements of net assets, as of June 30, 2008, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Chartered Accountants
Hamilton, Bermuda
November 3, 2008

HSBC Managed Portfolios Limited
Statements of Assets and Liabilities
as at June 30, 2008

	Income & Growth Portfolio USD	Balanced Portfolio USD	Capital Growth Portfolio USD	Strategic Equity Portfolio USD
Assets				
Investments at fair value (notes 3(b), 11 & 12)	74,977,245	98,576,099	25,055,446	8,194,782
Cash and cash equivalents (note 3(a))	15,491,457	2,163,637	1,053,809	529,600
Rebates receivable (note 14)	132,449	137,677	35,795	14,911
Prepaid expenses	706	1,051	388	189
	90,601,857	100,878,464	26,145,438	8,739,482
Liabilities				
Dividends payable (note 13)	23,073	22,473	-	-
Redemptions payable	-	191,982	11,120	-
Management and administration fees payable (notes 4, 5 & 15)	183,305	326,668	79,345	26,859
Accounts payable and accrued expenses	22,919	33,701	6,641	1,921
	229,297	574,824	97,106	28,780
Net assets	90,372,560	100,303,640	26,048,332	8,710,702
Share capital (note 10)				
Shares authorized 10,000,000 of US\$0.01 each				
Shares outstanding				
Class AC	271,340	364,686	109,192	40,970
Class AD	13,983	44,946	-	-
Class IC	385,564	248,914	52,813	9,310
Net asset value per share				
Class AC	USD134.33	USD152.14	USD160.52	USD173.05
Class AD	USD129.03	USD150.27	-	-
Class IC	USD135.18	USD152.92	USD161.35	USD174.09

The accompanying notes form an integral part of these Financial Statements

HSBC Managed Portfolios Limited

Statements of Net Assets

as at June 30, 2008

Income & Growth Portfolio - USD

	Liquidity Period	Holdings in Shares	Purchase Price - USD	Fair Value - USD	% of Net Assets
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	26,420	4,015,510	5,317,465	5.88
			4,015,510	5,317,465	5.88
Bonds					
HSBC Investment Solutions Emerging Markets Bond Fund	Daily	333,040	5,536,661	5,701,649	6.31
HSBC Investment Solutions Global Bond Fund - US\$	Daily	2,031,134	21,975,255	21,387,841	23.67
HSBC Investment Solutions Global Credit Bond Fund	Daily	819,135	8,360,108	8,322,414	9.21
HSBC Investment Solutions Short-Duration Bond Fund	Daily	606,761	6,323,988	6,146,492	6.80
			42,196,012	41,558,396	45.99
Equities					
HSBC Investment Solutions Asian Equity Fund	Daily	80,071	947,998	1,847,245	2.04
HSBC Investment Solutions Emerging Markets Equity Fund	Daily	143,001	1,431,280	2,315,191	2.56
HSBC Investment Solutions European Growth Fund	Daily	184,810	2,142,602	3,099,009	3.43
HSBC Investment Solutions European Value Fund	Daily	130,532	1,920,033	2,725,768	3.02
HSBC Investment Solutions Global Equity Fund	Daily	42,180	322,970	669,389	0.74
HSBC Investment Solutions Japanese Equity Fund	Daily	177,618	1,515,154	2,099,444	2.32
HSBC Investment Solutions UK Equity Fund	Daily	152,009	1,793,004	2,575,802	2.85
HSBC Investment Solutions US Large Cap Fund	Daily	343,937	4,609,594	5,764,381	6.38
HSBC Investment Solutions US Large Cap Growth Fund	Daily	345,894	2,335,708	2,860,547	3.17
HSBC Investment Solutions US Large Cap Value Fund	Daily	189,394	2,000,000	1,971,591	2.18
HSBC Investment Solutions US Small Cap Fund	Daily	85,687	1,541,731	2,173,017	2.41
			20,560,074	28,101,384	31.10
Total investments			66,771,596	74,977,245	82.97
Other net assets				15,395,315	17.03
Total net assets				90,372,560	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, 2008

Balanced Portfolio - USD

	Liquidity Period	Holdings in Shares	Purchase Price - USD	Fair Value - USD	% of Net Assets
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	58,845	8,423,995	11,843,772	11.81
			8,423,995	11,843,772	11.81
Bonds					
HSBC Investment Solutions Emerging Markets Bond Fund	Daily	286,182	4,689,520	4,899,431	4.88
HSBC Investment Solutions Global Bond Fund - US\$	Daily	1,522,193	16,443,517	16,028,690	15.98
HSBC Investment Solutions Global Credit Bond Fund	Daily	641,338	6,552,400	6,515,999	6.50
HSBC Investment Solutions Short-Duration Bond Fund	Daily	466,442	4,854,280	4,725,054	4.71
			32,539,717	32,169,174	32.07
Equities					
HSBC Investment Solutions Asian Equity Fund	Daily	161,919	2,012,088	3,735,476	3.72
HSBC Investment Solutions Emerging Markets Equity Fund	Daily	228,368	2,285,701	3,697,275	3.69
HSBC Investment Solutions European Growth Fund	Daily	330,829	3,073,472	5,547,551	5.53
HSBC Investment Solutions European Value Fund	Daily	285,188	4,191,158	5,955,299	5.94
HSBC Investment Solutions Global Equity Fund	Daily	74,844	571,623	1,187,767	1.18
HSBC Investment Solutions Japanese Equity Fund	Daily	343,184	3,002,096	4,056,437	4.04
HSBC Investment Solutions UK Equity Fund	Daily	299,939	3,423,381	5,082,498	5.07
HSBC Investment Solutions US Large Cap Fund	Daily	637,293	8,195,605	10,681,028	10.65
HSBC Investment Solutions US Large Cap Growth Fund	Daily	795,608	5,623,097	6,579,677	6.56
HSBC Investment Solutions US Large Value Fund	Daily	386,461	4,066,475	4,023,060	4.01
HSBC Investment Solutions US Small Cap Fund	Daily	158,402	3,029,467	4,017,085	4.01
			39,474,163	54,563,153	54.40
Total investments			80,437,875	98,576,099	98.28
Other net assets				1,727,541	1.72
Total net assets				100,303,640	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, 2008

Capital Growth Portfolio - USD

	Liquidity Period	Holdings in Shares	Purchase Price - USD	Fair Value - USD	% of Net Assets
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	16,769	2,470,719	3,375,112	12.96
			2,470,719	3,375,112	12.96
Bonds					
HSBC Investment Solutions Emerging Markets Bond Fund	Daily	36,347	597,763	622,255	2.39
HSBC Investment Solutions Global Bond Fund - US\$	Daily	202,902	2,191,071	2,136,558	8.20
HSBC Investment Solutions Global Credit Bond Fund	Daily	88,906	905,790	903,281	3.47
HSBC Investment Solutions Short-Duration Bond Fund	Daily	71,547	734,256	724,768	2.78
			4,428,880	4,386,862	16.84
Equities					
HSBC Investment Solutions Asian Equity Fund	Daily	48,594	691,528	1,121,063	4.30
HSBC Investment Solutions Emerging Markets Equity Fund	Daily	76,307	803,339	1,235,412	4.74
HSBC Investment Solutions European Growth Fund	Daily	104,668	1,208,064	1,755,145	6.74
HSBC Investment Solutions European Value Fund	Daily	98,158	1,547,203	2,049,742	7.87
HSBC Investment Solutions Global Equity Fund	Daily	22,363	176,507	354,906	1.36
HSBC Investment Solutions Japanese Equity Fund	Daily	113,474	1,177,918	1,341,265	5.15
HSBC Investment Solutions UK Equity Fund	Daily	91,210	1,070,857	1,545,560	5.93
HSBC Investment Solutions US Large Cap Fund	Daily	205,015	2,835,172	3,436,054	13.19
HSBC Investment Solutions US Large Cap Growth Fund	Daily	227,452	1,601,933	1,881,026	7.23
HSBC Investment Solutions US Large Cap Value Fund	Daily	141,271	1,534,674	1,470,634	5.64
HSBC Investment Solutions US Small Cap Fund	Daily	43,480	860,924	1,102,665	4.24
			13,508,119	17,293,472	66.39
Total investments			20,407,718	25,055,446	96.19
Other net assets				992,886	3.81
Total net assets				26,048,332	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, 2008

Strategic Equity Portfolio - USD

	Liquidity Period	Holdings in Shares	Purchase Price - USD	Fair Value - USD	% of Net Assets
Alternative					
HSBC Fund of Funds Alternative Class	Monthly	4,623	638,126	930,478	10.68
			638,126	930,478	10.68
Equity					
HSBC Investment Solutions Asian Equity Fund	Daily	16,213	200,814	374,034	4.29
HSBC Investment Solutions Emerging Markets Equity Fund	Daily	34,439	403,582	557,567	6.40
HSBC Investment Solutions European Growth Fund	Daily	45,269	560,284	759,101	8.71
HSBC Investment Solutions European Value Fund	Daily	37,689	632,417	787,030	9.04
HSBC Investment Solutions Global Equity Fund	Daily	10,045	78,703	159,419	1.83
HSBC Investment Solutions Japanese Equity Fund	Daily	51,878	533,574	613,202	7.04
HSBC Investment Solutions UK Equity Fund	Daily	40,168	561,453	680,652	7.81
HSBC Investment Solutions US Large Cap Fund	Daily	78,235	1,131,268	1,311,231	15.05
HSBC Investment Solutions US Large Cap Growth Fund	Daily	103,711	767,916	857,692	9.85
HSBC Investment Solutions US Large Cap Value Fund	Daily	42,609	473,199	443,555	5.10
HSBC Investment Solutions US Small Cap Fund	Daily	18,690	429,280	473,968	5.44
iShares Russell 1000 Value Index Fund	Daily	1,750	150,300	120,837	1.39
iShares Russell 2000 Index Fund	Daily	1,825	147,708	126,016	1.45
			6,070,498	7,264,304	83.40
Total investments			6,708,624	8,194,782	94.08
Other net assets				515,920	5.92
Total net assets				8,710,702	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, 2008

	Income & Growth Portfolio USD	Balanced Portfolio USD	Capital Growth Portfolio USD	Strategic Equity Portfolio USD
Income				
Dividend income	1,666,183	1,507,724	252,103	35,275
Rebate income (note 14)	514,027	568,317	160,470	57,460
Interest income	308,512	168,651	47,892	12,640
	<u>2,488,722</u>	<u>2,244,692</u>	<u>460,465</u>	<u>105,375</u>
Expenses				
Management and administration fees (notes 4, 5 & 15)	668,914	1,291,676	337,742	110,306
Audit fees	19,000	27,208	5,144	1,350
Bank charges	339	4,875	158	1,362
Directors' fees (note 8)	3,343	5,654	1,513	523
Other expenses	10,544	16,976	6,898	3,013
	<u>702,140</u>	<u>1,346,389</u>	<u>351,455</u>	<u>116,554</u>
Net investment income/(loss)	1,786,582	898,303	109,010	(11,179)
Net realized gain/(loss) on sale of investments	(11,119)	(256)	156	149,694
Net change in unrealized gains on investments	(3,387,400)	(6,174,263)	(1,940,692)	(943,991)
Net decrease in net assets resulting from operations	<u>(1,611,937)</u>	<u>(5,276,216)</u>	<u>(1,831,526)</u>	<u>(805,476)</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, 2008

Income & Growth Portfolio	Class AC USD	Class AD USD	Class IC USD	Total
Net assets at start of the year	29,286,224	3,291,632	42,915,362	75,493,218
Net decrease in net assets from operations				
Net investment income	652,004	54,153	1,080,425	1,786,582
Net realized losses on sale of investments	(4,520)	(228)	(6,371)	(11,119)
Net change in unrealized gains on investments	(1,356,799)	(68,603)	(1,961,998)	(3,387,400)
	(709,315)	(14,678)	(887,944)	(1,611,937)
Subscriptions and redemptions				
Proceeds on issue of shares	12,026,034	10,014	12,493,421	24,529,469
Payments on redemption of shares	(4,154,834)	(1,432,173)	(2,400,733)	(7,987,740)
	7,871,200	(1,422,159)	10,092,688	16,541,729
Dividends (note 13)	-	(50,450)	-	(50,450)
Net assets at end of the year	36,448,109	1,804,345	52,120,106	90,372,560
Balanced Portfolio	Class AC USD	Class AD USD	Class IC USD	Total
Net assets at start of the year	59,847,731	8,427,832	38,388,175	106,663,738
Net decrease in net assets from operations				
Net investment income	447,228	61,864	389,211	898,303
Net realized losses on sale of investments	(113)	(13)	(130)	(256)
Net change in unrealized gains on investments	(3,537,362)	(430,592)	(2,206,309)	(6,174,263)
	(3,090,247)	(368,741)	(1,817,228)	(5,276,216)
Subscriptions and redemptions				
Proceeds on issue of shares	14,922,271	155,406	5,435,250	20,512,927
Payments on redemption of shares	(16,195,450)	(1,407,991)	(3,940,999)	(21,544,440)
	(1,273,179)	(1,252,585)	1,494,251	(1,031,513)
Dividends (note 13)	-	(52,369)	-	(52,369)
Net assets at end of the year	55,484,305	6,754,137	38,065,198	100,303,640

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, 2008

Capital Growth Portfolio	Class AC USD	Class IC USD	Total
Net assets at start of the year	21,099,185	7,235,533	28,334,718
Net decrease in net assets from operations			
Net investment income	73,867	35,143	109,010
Net realized gains/(losses) on sale of investments	203	(47)	156
Net change in unrealized gains on investments	(1,433,550)	(507,142)	(1,940,692)
	(1,359,480)	(472,046)	(1,831,526)
Subscriptions and redemptions			
Proceeds on issue of shares	5,326,698	3,002,846	8,329,544
Payments on redemption of shares	(7,539,404)	(1,245,000)	(8,784,404)
	(2,212,706)	1,757,846	(454,860)
Net assets at end of the year	17,526,999	8,521,333	26,048,332
Strategic Equity Portfolio	Class AC USD	Class IC USD	Total
Net assets at start of the year	7,391,462	1,716,669	9,108,131
Net decrease in net assets from operations			
Net investment income/(loss)	(13,790)	2,611	(11,179)
Net realized gains on sale of investments	124,379	25,315	149,694
Net change in unrealized gains on investments	(763,289)	(180,702)	(943,991)
	(652,700)	(152,776)	(805,476)
Subscriptions and redemptions			
Proceeds on issue of shares	1,686,975	419,998	2,106,973
Payments on redemption of shares	(1,335,926)	(363,000)	(1,698,926)
	351,049	56,998	408,047
Net assets at end of the year	7,089,811	1,620,891	8,710,702

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, 2008

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 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 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 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 Portfolio within the Fund. At June 30, 2008 the Directors were not aware of any such specific existing or contingent liabilities. The following Portfolios are currently available:

	<u>Date of inception</u>
Income & Growth Portfolio – USD	October 16, 2002
Balanced Portfolio – USD	October 16, 2002
Capital Growth Portfolio – USD	October 16, 2002
Strategic Equity Portfolio – USD	October 16, 2002

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 recognised exchange.
- (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 an accrual basis. Dividend income is recorded on the ex-dividend date on an accrual basis 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 an accrual basis.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

2. Significant Accounting Policies (continued)

- (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.
- (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 gains on investments" respectively. All other realized and unrealized gains and losses are included in the line item to which they relate.
- (i) Financial instruments
The fair values of the Fund's assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments", approximate the carrying amounts presented in the statement of assets and liabilities either due to their short-term nature or are recorded at fair value (see also note 2(b)).
- (j) 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.
- (k) Allocation of profits and losses
All investment income, 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.
- (l) New accounting pronouncements
On September 26, 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("FAS 157"). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of June 30, 2008, the Fund does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal year.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

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	Strategic Equity Portfolio - USD
Cash at bank	9,637	11,034	27,154	10,064
Money market fund	15,481,820	2,152,603	1,026,655	519,536
	15,491,457	2,163,637	1,053,809	529,600

(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 (6.4625% at June 30, 2008). During the year, the Fund borrowed and repaid Funds to the Bank with the maximum drawn being \$856,304. At June 30, 2008 nil is outstanding under this facility. Interest charged during the year related to balances drawn totaled \$4,650.

(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, 2008 and for the year then ended, nil is outstanding under this facility.

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.

Portfolio	Class	Rate
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%

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

4. Manager (continued)

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, 2008, 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.

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, 2008.

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

7. Taxation

At the present time no income, corporation profit 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 USD15,000 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 years ended June 30, 2008, 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, 2008, the Directors held nil shares of each Portfolio.

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2008

10. Share Capital

The present authorized share capital of USD100,000 of the Fund is divided into 9,999,900 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.

Share Capital

	Income & Growth Portfolio Class AC	Income & Growth Portfolio Class AD	Income & Growth Portfolio Class IC	Balanced Portfolio Class AC
Shares in issue July 1, 2007	213,922	24,419	312,586	373,742
Shares issued during the year	87,641	73	90,449	93,429
Shares redeemed during the year	(30,223)	(10,509)	(17,471)	(102,485)
Shares in issue June 30, 2008	271,340	13,983	385,564	364,686

Share Capital

	Balanced Portfolio Class AD	Balanced Portfolio Class IC	Capital Growth Portfolio Class AC	Capital Growth Portfolio Class IC
Shares in issue July 1, 2007	52,897	239,218	123,030	42,099
Shares issued during the year	1,024	34,367	31,056	18,042
Shares redeemed during the year	(8,975)	(24,671)	(44,894)	(7,328)
Shares in issue June 30, 2008	44,946	248,914	109,192	52,813

Share Capital

	Strategic Equity Portfolio Class AC	Strategic Equity Portfolio Class IC
Shares in issue July 1, 2007	38,943	9,022
Shares issued during the year	9,139	2,263
Shares redeemed during the year	(7,112)	(1,975)
Shares in issue June 30, 2008	40,970	9,310

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

11. Cost of Investments

Cost of Investments as at June 30, 2008

Income & Growth Portfolio - USD	66,771,596
Balanced Portfolio - USD	80,437,875
Capital Growth Portfolio - USD	20,407,718
Strategic Equity Portfolio - USD	6,708,624

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. The settlement of forward contracts is not expected to have a material effect on the Fund's net assets.

Liquidity Risk

The Fund may invest in debt securities and other investment companies that are not publicly traded or for which there is no liquid market. The Fund is exposed to liquidity risk to the extent that it is unable to realize its positions to meet liabilities and redemptions as they fall due in a timely and favorable manner.

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.

HSBC Managed Portfolios Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2008

12. Financial Instruments and Associated Risks (continued)

Investments in Other Investment Funds

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

Income & Growth Portfolio – USD, Balanced Portfolio – USD, Capital Growth Portfolio – USD and Strategic Equity Portfolio – USD had invested 77%, 86%, 83% and 81%, respectively, as of June 30, 2008 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 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 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, 2008.

13. Dividends

It is the intention of the Directors 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 and the Strategic Equity Portfolio. During the year ended June 30, 2008 the Directors of the Fund declared the following dividends:

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2008

13. Dividends (continued)

Dividends Declared		
	Income & Growth Portfolio - USD	Balanced Portfolio - USD
Class AC dividends declared	-	-
Class AD dividends declared	50,450	52,369
Class IC dividends declared	-	-
Total dividends declared	50,450	52,369
Class AC dividends payable	-	-
Class AD dividends payable	23,073	22,473
Class IC dividends payable	-	-
Total dividends payable	23,073	22,473

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, that is income from dividends, interest or otherwise, less that Portfolio's accrued 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. As a sub-distributor, the Fund may act as nominee for one or more investors for the subscription, redemption and conversion of shares (Nominee Agreement) in accordance with the terms set forth in the Prospectus. Such transactions will be effected in the name of the nominee and registered on the books of the investee fund in the name of the nominee on the investor's behalf. 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

Management and administration fees

	Income & Growth Portfolio	Balanced Portfolio	Capital Growth Portfolio	Strategic Equity Portfolio
Class AC management and administration fees	333,733	799,870	267,134	95,003
Class AD management and administration fees	24,490	98,852	-	-
Class IC management and administration fees	310,691	392,954	70,608	15,303
Total management and administration fees	668,914	1,291,676	337,742	110,306
Management and administration fees payable	183,305	326,668	79,345	26,859

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2008

16. Financial Highlights

Schedule of Financial Highlights for Income & Growth Portfolio - USD
for year ended June 30, 2008

	USD		
	Class AC	Class AD	Class IC
Selected per share data			
Net asset value at July 1, 2007	136.90	134.79	137.29
Income/(loss) from investment operations			
Net investment income	2.74	2.68	3.24
Net realized losses on sale of investments and change in unrealized gains on investments	(5.31)	(5.14)	(5.35)
Total from investment operations	<u>(2.57)</u>	<u>(2.46)</u>	<u>(2.11)</u>
Dividends	-	(3.30)	-
Net asset value at end of the year	<u>134.33</u>	<u>129.03</u>	<u>135.18</u>
Total return, excluding dividend	(1.88)%	(1.82)%	(1.54)%
Ratios to average net assets			
Total expenses	1.05%	1.04%	0.70%
Net investment income	1.96%	2.22%	2.29%
Supplemental data			
Net assets at end of the year	36,448,109	1,804,345	52,120,106

Schedule of Financial Highlights for Balanced Portfolio - USD
for year ended June 30, 2008

	USD		
	Class AC	Class AD	Class IC
Selected per share data			
Net asset value at July 1, 2007	160.13	159.32	160.47
Income/(loss) from investment operations			
Net investment income	1.18	1.17	1.66
Net realized losses on sale of investments and change in unrealized gains on investments	(9.17)	(9.07)	(9.21)
Total from investment operations	<u>(7.99)</u>	<u>(7.90)</u>	<u>(7.55)</u>
Dividends	-	(1.15)	-
Net asset value at end of the year	<u>152.14</u>	<u>150.27</u>	<u>152.92</u>
Total return, excluding dividend	(4.99)%	(4.96)%	(4.70)%
Ratios to average net assets			
Total expenses	1.38%	1.38%	1.08%
Net investment income	0.74%	0.83%	1.02%
Supplemental data			
Net assets at end of the year	55,484,305	6,754,137	38,065,198

HSBC Managed Portfolios Limited
Notes to the Financial Statements (Continued)
for the year ended June 30, 2008

16. Financial Highlights (Continued)

Schedule of Financial Highlights for Capital Growth Portfolio - USD
for year ended June 30, 2008

	USD	
	Class AC	Class IC
Selected per share data		
Net asset value at July 1, 2007	171.50	171.87
Income/(loss) from investment operations		
Net investment income	0.53	1.05
Net realized gains on sale of investments and change in unrealized gains on investments	(11.51)	(11.57)
Total from investment operations	<u>(10.98)</u>	<u>(10.52)</u>
Net asset value at end of the year	<u>160.52</u>	<u>161.35</u>
Total return	(6.40)%	(6.12)%
Ratios to average net assets		
Total expenses	1.35%	1.05%
Net investment income	0.36%	0.49%
Supplemental data		
Net assets at end of the year	17,526,999	8,521,333

Schedule of Financial Highlights for Strategic Equity Portfolio - USD
for year ended June 30, 2008

	USD	
	Class AC	Class IC
Selected per share data		
Net asset value at July 1, 2007	189.80	190.27
Income/(loss) from investment operations		
Net investment income/(loss)	(0.44)	0.21
Net realized gains on sale of investments and change in unrealized gains on investments	(16.31)	(16.39)
Total from investment operations	<u>(16.75)</u>	<u>(16.18)</u>
Net asset value at end of the year	<u>173.05</u>	<u>174.09</u>
Total return	(8.83)%	(8.50)%
Ratios to average net assets		
Total expenses	1.40%	1.05%
Net investment income/(loss)	(0.25)%	0.11%
Supplemental data		
Net assets at end of the year	7,089,811	1,620,891

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

HSBC Managed Portfolios Limited

Management and Administration

for the year ended June 30, 2008

Directors and Officers

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

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

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

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

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

Julie E. McLean
Partner
Conyers, Dill & Pearman

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

Secretary and Registered Office

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

Manager

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

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
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Hamilton HM 11, Bermuda

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Legal Advisers

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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
6 Front Street
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