

# HSBC Managed Portfolios Limited

Annual Report June 2013

# HSBC Managed Portfolios Limited

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# HSBC Managed Portfolios Limited

## Manager's Report

for the year ended June 30, 2013

### Annual Report Review 2012/13

#### Portfolios review

The portfolios had strong returns during the fiscal year led by equity markets. Central bank activity in the developed markets and a slowly improving economic environment in the US and Japan and stabilisation in Europe helped boost riskier asset classes. Emerging Markets did not fare as well over the period as economic growth slowed in leading countries such as China causing concern for investors. Some weakness in portfolio performance was evident in the final months of the reporting period as concerns arose regarding a tapering of the Federal Reserve's quantitative easing program. The portfolios were led by US and European equities along with high yield bonds while Emerging Markets were among the weakest regions.

#### Market review

During the fiscal year central banks of developed markets maintained low interest rates and became increasingly aggressive with quantitative easing programs that provided liquidity to the markets. Amongst Emerging Markets the concern with slower growth was a dominant theme.

- In the US the central bank has recently pointed to a slowly improving economic environment with a focus on the employment data. The potential for a reduction in the liquidity being provided to the market, approximately \$85bn per month, has increased volatility in both bond and equity markets. However, risk assets were back on the rise at the end of the fiscal year as the Federal Reserve reassured investors that tapering of the program would only occur amid improved economic health with a specific focus on employment.
- The European region continues to experience volatility. However, event risks have eased amid the European Central Bank's (ECB) government bond buying program and recent easing in the emphasis on austerity across the region. The latest economic growth figures, Q2 '13, indicated the region had exited its recession however growth remains weak.
- Asian markets were the weakest performers during the period as slower growth and the possibility of a tapering in the US Federal Reserve's bond buying program hurt markets. China's economic growth was a focus as it has fallen from double digit growth to the latest forecasts of 7.5%. It is expected that it will stabilise between 6% to 8% over the next year. Japanese markets were strong at the beginning of 2013 but since pulled back. The central bank continued to follow through with its own liquidity plan and economic indicators are showing an improving economy

#### Outlook

- Looking ahead, short-term interest rates in the developed markets will likely remain at historic lows over the next 9 to 12 months. However, as the Federal Reserve looks towards ending its monthly bond buying program, longer term yields will rise. We expect volatility to rise in the equity markets as the Federal Reserve begins to taper and work towards ending its quantitative easing program. However, despite the Federal Reserve's intention to reduce liquidity, we remain positive on equities at the start of the new fiscal year amid healthy corporate balance sheets with low leverage ratios, solid earnings and attractive valuation ratios. We favour equities and within bonds we favour investment grade and high yield. Within the alternative sector we are underweight commodities and hedge funds while being overweight property.

HSBC Global Asset Management (Bermuda) Limited – August 2013

*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 Managed Portfolios Limited (the "Fund")

We have audited the accompanying financial statements of the World Selection – Cautious Portfolio, World Selection – Balanced Portfolio and the World Selection – Dynamic Portfolio (together constituting "HSBC Managed Portfolios Limited"), which comprise the statements of assets and liabilities, including the statements of net assets, as of June 30, 2013, and the related statements of operations, and changes in net assets for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

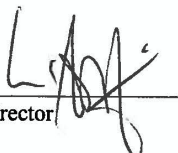
In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of HSBC Managed Portfolios Limited as of June 30, 2013, and the results of its operations and changes in its net assets for the year then ended in accordance with U.S. generally accepted accounting principles.

*KPMG Audit Limited*


Chartered Accountants  
Hamilton, Bermuda  
September 26, 2013

**HSBC Managed Portfolios Limited**  
**Statements of Assets and Liabilities**  
as at June 30, 2013

	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD	World Selection - Dynamic Portfolio USD
<b>Assets</b>			
Investments, at fair value (notes 11, 12 & 16)	116,438,358	112,917,790	47,462,840
Cash and cash equivalents (notes 3 & 16)	7,677,334	8,557,090	1,733,223
Due from Broker	225,030	-	179
Rebates receivable (note 14)	157,503	177,099	87,833
Dividends receivable	25,888	38,240	20,479
Prepaid expenses	1,239	1,434	-
	<b>124,525,352</b>	<b>121,691,653</b>	<b>49,304,554</b>
<b>Liabilities</b>			
Due to Broker	8,885	750,000	-
Management and administration fees payable (notes 4, 5 & 15)	458,261	512,072	234,742
Redemptions payable	162,587	43,857	435,395
Dividends payable (note 13)	3,447	-	-
Accounts payable and accrued expenses	37,548	29,256	15,204
	<b>670,728</b>	<b>1,335,185</b>	<b>685,341</b>
Net assets	<b>123,854,624</b>	<b>120,356,468</b>	<b>48,619,213</b>
<b>Net assets attributable to:</b>			
Class AC shares	57,265,478	59,377,338	27,072,493
Class AD shares	2,333,376	3,400,925	-
Class IC shares	62,780,140	53,677,704	16,649,265
Class LC shares	1,475,630	3,900,501	4,897,455
	<b>123,854,624</b>	<b>120,356,468</b>	<b>48,619,213</b>
<b>Shares outstanding (note 10)</b>			
Class AC Shares	384,183	374,311	165,553
Class AD Shares	17,237	22,093	-
Class IC Shares	411,263	331,645	99,789
Class LC Shares	9,900	24,588	29,950
<b>Net asset value per share</b>			
Class AC Shares	USD149.06	USD158.63	USD163.52
Class AD Shares	USD135.37	USD153.93	-
Class IC Shares	USD152.65	USD161.85	USD166.84
Class LC Shares	USD149.06	USD158.63	USD163.52

  
Director

The accompanying notes form an integral part of these Financial Statements

  
Director

# HSBC Managed Portfolios Limited

## Statements of Net Assets

as at June 30, 2013

World Selection - Cautious Portfolio					
	Liquidity Period	Holdings In Shares	Purchase Price USD	Fair Value USD	% of Net Assets
<b>Investments in investee funds:</b>					
<b>Alternative</b>					
HSBC Fund of Funds Ltd Alternative Class	Monthly	31,296	5,535,245	6,547,522	5.29
			5,535,245	6,547,522	5.29
<b>Bonds</b>					
ACMBernstein SICAV-Global Plus Fixed Income Portfolio	Daily	266,631	3,999,465	3,938,140	3.18
Ashmore Sicav-Ashmore Sicav Emerging Markets Local Currency Bond Fund	Daily	11,868	1,279,098	1,301,571	1.05
BNY Mellon Global Funds plc-BNY Mellon Emerging Markets Debt Local Currency Fund	Daily	1,699,061	1,647,480	1,623,114	1.31
HSBC International Select Fund-MultiAlpha Global Aggregate Bond	Daily	3,681,250	38,997,987	40,456,942	32.66
HSBC International Select Fund-MultiAlpha Global High Yield Bond	Daily	543,819	5,635,063	5,954,821	4.81
Stone Harbor Investment Fund plc-Stone Harbor Emerging Markets Local Currency Debt Fund Distributing	Daily	18,857	2,026,479	1,949,076	1.57
Stone Harbor Investment Funds plc-Stone Harbor Emerging Markets Debt Fund	Daily	17,889	2,679,245	2,685,213	2.17
Threadneedle Investment Funds ICVC-European High Yield Bond Fund	Daily	606,832	1,085,949	1,147,683	0.93
Wellington Management Portfolio(Dublin) plc-Opportunistic Emerging Markets Debt Portfolio	Daily	149,264	1,892,052	2,152,387	1.74
Wellington Management Portfolio (Dublin) plc-Global Bond Portfolio	Daily	570,942	6,725,699	6,600,091	5.33
			65,968,517	67,809,038	54.75
<b>Commodity</b>					
Schroder Alternative Solutions Commodity Fund	Daily	21,847	2,701,799	2,651,547	2.14
			2,701,799	2,651,547	2.14
<b>Equities</b>					
HSBC International Select Fund-MultiAlpha Asia Pacific ex- Japan Equity	Daily	239,867	2,874,993	2,995,408	2.42
HSBC International Select Fund-MultiAlpha Europe Equity	Daily	557,177	7,617,388	8,988,433	7.26
HSBC International Select Fund-MultiAlpha Global Emerging Markets Equity	Daily	571,377	5,733,695	5,719,488	4.62
HSBC International Select Fund-MultiAlpha Global Real Estate Equity	Daily	309,927	2,931,754	4,171,617	3.37
HSBC International Select Fund-MultiAlpha Japan Equity	Daily	254,216	2,500,984	2,765,872	2.23
HSBC International Select Fund-MultiAlpha North America Equity	Daily	750,515	6,781,470	9,307,666	7.51
			28,440,284	33,948,484	27.41
Total investments in investee funds			102,645,845	110,956,591	89.59
<b>Investments in securities:</b>					
<b>Equities</b>					
iShares MSCI Emerging Markets Index	Daily	10,450	450,000	403,057	0.33
Partners Group Invest-Listed Private Equity	Daily	3,950	300,000	461,317	0.37
PowerShares Listed Private Equity Portfolio	Daily	59,500	607,328	649,145	0.52
SPDR S&P 500 ETF Trust	Daily	24,800	3,319,831	3,968,248	3.20
			4,677,159	5,481,767	4.42
Total investments in securities			4,677,159	5,481,767	4.42
Total investments			107,323,004	116,438,358	94.01
Other net assets				7,416,266	5.99
Total net assets				123,854,624	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, 2013

World Selection – Balanced Portfolio	Liquidity Period	Holdings In Shares	Purchase Price USD	Fair Value USD	% of Net Assets
<b>Investments in investee funds:</b>					
<b>Alternative</b>					
HSBC Fund of Funds Ltd Alternative Class	Monthly	19,620	2,962,176	4,104,614	3.41
			2,962,176	4,104,614	3.41
<b>Bonds</b>					
Ashmore Sicav-Ashmore Sicav Emerging Markets Local Currency Bond Fund	Daily	10,578	1,134,393	1,160,129	0.96
BNY Mellon Global Funds plc-BNY Mellon Emerging Markets Debt Local Currency Fund	Daily	1,526,246	1,471,392	1,458,023	1.21
HSBC International Select Fund-MultiAlpha Global Aggregate Bond	Daily	2,497,381	26,888,130	27,446,217	22.80
HSBC International Select Fund-MultiAlpha Global High Yield Bond	Daily	504,333	5,236,737	5,522,451	4.59
Stone Harbor Investment Fund plc-Stone Harbor Emerging Markets Debt Fund Distributing	Daily	15,841	1,690,147	1,623,671	1.35
Stone Harbor Investment Funds plc-Stone Harbor Emerging Markets Debt Fund	Daily	17,066	2,548,424	2,561,630	2.13
Threadneedle Investment Funds ICVC-European High Yield Bond Fund	Daily	578,724	1,045,204	1,094,524	0.91
Wellington Management Portfolio(Dublin) plc-Opportunistic Emerging Markets Debt Portfolio	Daily	152,043	1,895,895	2,192,466	1.82
			41,910,322	43,059,111	35.77
<b>Commodity</b>					
Schroder Alternative Solutions Commodity Fund	Daily	28,044	3,389,139	3,403,758	2.83
			3,389,139	3,403,758	2.83
<b>Equities</b>					
HSBC International Select Fund-MultiAlpha Asia Pacific ex- Japan Equity	Daily	334,193	4,063,131	4,173,341	3.47
HSBC International Select Fund-MultiAlpha Europe Equity	Daily	867,806	11,865,213	13,999,516	11.63
HSBC International Select Fund-MultiAlpha Global Emerging Markets Equity	Daily	1,100,983	11,005,882	11,020,844	9.16
HSBC International Select Fund-MultiAlpha Global Real Estate Equity	Daily	415,479	4,287,470	5,592,342	4.65
HSBC International Select Fund-MultiAlpha Japan Equity	Daily	412,167	4,015,589	4,484,382	3.72
HSBC International Select Fund-MultiAlpha North America Equity	Daily	1,139,112	10,515,523	14,126,925	11.74
			45,752,808	53,397,350	44.37
Total investments in investee funds			94,014,445	103,964,833	86.38
<b>Investments in securities:</b>					
<b>Equities</b>					
iShares MSCI Emerging Markets Index	Daily	26,600	1,135,605	1,025,962	0.85
Partners Group Invest-Listed Private Equity	Daily	5,925	450,000	691,975	0.58
PowerShares Listed Private Equity Portfolio	Daily	98,500	1,004,708	1,074,635	0.89
SPDR S&P 500 ETF Trust	Daily	38,500	5,153,409	6,160,385	5.12
			7,743,722	8,952,957	7.44
Total investments in securities			7,743,722	8,952,957	7.44
Total investments			101,758,167	112,917,790	93.82
Other net assets				7,438,678	6.18
Total net assets				120,356,468	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, 2013

World Selection – Dynamic Portfolio	Liquidity Period	Holdings In Shares	Purchase Price USD	Fair Value USD	% of Net Assets
<b>Investments in investee funds:</b>					
<b>Alternative</b>					
HSBC Fund of Funds Ltd Alternative Class	Monthly	3,077	498,468	643,699	1.32
			498,468	643,699	1.32
<b>Bonds</b>					
Ashmore Sicav-Ashmore Sicav Emerging Markets Local Currency Bond Fund	Daily	2,835	313,039	310,870	0.64
BNY Mellon Global Funds plc-BNY Mellon Emerging Markets Debt Local Currency Fund	Daily	422,971	418,573	404,064	0.83
HSBC International Select Fund-MultiAlpha Global Aggregate Bond	Daily	297,249	3,235,287	3,614,542	7.44
HSBC International Select Fund-MultiAlpha Global High Yield Bond	Daily	138,971	1,470,868	1,845,538	3.80
Stone Harbor Investment Fund plc-Stone Harbor Emerging Markets Local Currency Debt Fund Distributing	Daily	5,286	572,152	546,344	1.12
Stone Harbor Investment Funds plc-Stone Harbor Emerging Markets Debt Fund	Daily	4,383	658,018	657,834	1.35
Threadneedle Investment Funds ICVC-European High Yield Bond Fund	Daily	191,157	346,223	361,530	0.74
Wellington Management Portfolio(Dublin) plc-Opportunistic Emerging Markets Debt Portfolio	Daily	38,118	484,715	549,657	1.13
			7,498,875	8,290,379	17.05
<b>Commodity</b>					
Schroder Alternative Solutions Commodity Fund	Daily	12,647	1,580,899	1,534,938	3.16
			1,580,899	1,534,938	3.16
<b>Equities</b>					
HSBC International Select Fund-MultiAlpha Asia Pacific ex- Japan Equity	Daily	219,854	2,741,168	2,745,496	5.65
HSBC International Select Fund-MultiAlpha Europe Equity	Daily	520,621	7,240,075	8,398,693	17.27
HSBC International Select Fund-MultiAlpha Global Emerging Markets Equity	Daily	677,723	6,990,830	6,784,004	13.95
HSBC International Select Fund-MultiAlpha Global Real Estate Equity	Daily	208,178	2,075,207	2,881,182	5.93
HSBC International Select Fund-MultiAlpha Japan Equity	Daily	263,880	2,576,508	2,871,009	5.91
HSBC International Select Fund-MultiAlpha North America Equity	Daily	641,103	5,891,326	7,950,766	16.35
			27,515,114	31,631,150	65.06
Total investments in investee funds			37,093,356	42,100,166	86.59
<b>Investments in securities:</b>					
<b>Equities</b>					
iShares MSCI Emerging Markets Index	Daily	16,500	713,307	636,405	1.31
Partners Group Invest-Listed Private Equity	Daily	5,267	400,000	615,089	1.26
PowerShares Listed Private Equity Portfolio	Daily	61,500	636,144	670,965	1.38
SPDR S&P 500 ETF Trust	Daily	21,500	2,884,158	3,440,215	7.08
			4,633,609	5,362,674	11.03
Total investments in securities			4,633,609	5,362,674	11.03
Total investments			41,726,965	47,462,840	97.62
Other net assets				1,156,373	2.38
Total net assets				48,619,213	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, 2013

	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD	World Selection - Dynamic Portfolio USD
<b>Income</b>			
Dividend income (net of withholding tax of USD43,636, USD68,159 and USD40,072, respectively)	2,184,922	1,601,075	158,450
Rebate income (note 14)	91,442	101,786	49,906
Interest income	695	580	148
	<u>2,277,059</u>	<u>1,703,441</u>	<u>208,504</u>
<b>Expenses</b>			
Management and administration fees (notes 4, 5 & 15)	1,747,679	1,917,569	859,439
Audit fees	23,134	21,768	8,744
Directors' fees (note 8)	8,463	8,197	3,340
Other expenses	18,198	9,320	9,665
	<u>1,797,474</u>	<u>1,956,854</u>	<u>881,188</u>
Net investment income/(loss)	<u>479,585</u>	<u>(253,413)</u>	<u>(672,684)</u>
Net realized gains on sale of investments	1,302,389	1,905,753	1,061,940
Net change in unrealized gains on investments	4,609,129	7,159,217	4,351,680
	<u>5,911,518</u>	<u>9,064,970</u>	<u>5,413,620</u>
Net increase in net assets resulting from operations	<u>6,391,103</u>	<u>8,811,557</u>	<u>4,740,936</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, 2013

<b>World Selection - Cautious Portfolio</b>	<b>Class AC USD</b>	<b>Class AD USD</b>	<b>Class IC USD</b>	<b>Class LC USD</b>	<b>Total</b>
Net assets at start of the year	51,615,591	2,032,059	67,621,578	1,469,127	122,738,355
<b>Net increase in net assets from operations</b>					
Net investment income	94,054	4,032	378,345	3,154	479,585
Net realized gain on sale of investments	559,837	25,090	701,935	15,527	1,302,389
Net change in unrealized gain on investments	1,782,692	117,985	2,648,611	59,841	4,609,129
	2,436,583	147,107	3,728,891	78,522	6,391,103
<b>Subscriptions and redemptions</b>					
Proceeds on issue of shares	8,594,937	1,179,500	5,175,243	520,694	15,470,374
Payments on redemption of shares	(5,381,633)	(1,013,288)	(13,745,572)	(592,713)	(20,733,206)
	3,213,304	166,212	(8,570,329)	(72,019)	(5,262,832)
Dividends (note 13)	-	(12,002)	-	-	(12,002)
Net assets at end of the year	57,265,478	2,333,376	62,780,140	1,475,630	123,854,624
<b>World Selection - Balanced Portfolio</b>	<b>Class AC USD</b>	<b>Class AD USD</b>	<b>Class IC USD</b>	<b>Class LC USD</b>	<b>Total</b>
Net assets at start of the year	53,603,618	3,389,937	56,933,534	2,914,214	116,841,303
<b>Net increase in net assets from operations</b>					
Net investment loss	(200,999)	(12,168)	(27,224)	(13,022)	(253,413)
Net realized gain on sale of investments	901,947	56,239	891,573	55,994	1,905,753
Net change in unrealized gain on investments	3,299,490	216,255	3,467,299	176,173	7,159,217
	4,000,438	260,326	4,331,648	219,145	8,811,557
<b>Subscriptions and redemptions</b>					
Proceeds on issue of shares	9,626,304	242,500	5,236,025	1,260,430	16,365,259
Payments on redemption of shares	(7,853,022)	(491,838)	(12,823,503)	(493,288)	(21,661,651)
	1,773,282	(249,338)	(7,587,478)	767,142	(5,296,392)
Net assets at end of the year	59,377,338	3,400,925	53,677,704	3,900,501	120,356,468

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, 2013

<b>World Selection - Dynamic Portfolio</b>	<b>Class AC USD</b>	<b>Class IC USD</b>	<b>Class LC USD</b>	<b>Total</b>
Net assets at start of the year	26,527,327	15,963,308	3,834,365	46,325,000
<b>Net increase in net assets from operations</b>				
Net investment loss	(401,575)	(204,675)	(66,434)	(672,684)
Net realized gain on sale of investments	588,435	373,409	100,096	1,061,940
Net change in unrealized gain on investments	2,435,890	1,547,499	368,291	4,351,680
	2,622,750	1,716,233	401,953	4,740,936
<b>Subscriptions and redemptions</b>				
Proceeds on issue of shares	3,558,044	1,636,500	1,521,139	6,715,683
Payments on redemption of shares	(5,635,628)	(2,666,776)	(860,002)	(9,162,406)
	(2,077,584)	(1,030,276)	661,137	(2,446,723)
Net assets at end of the year	27,072,493	16,649,265	4,897,455	48,619,213

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, 2013

### 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, 2013, the Directors were not aware of any such specific existing or contingent liabilities. The Portfolios and share classes existing as at June 30, 2013 were as follows:

	<b>Date of Inception</b>
World Selection – Cautious Portfolio – Class AC - USD	October 16, 2002
World Selection – Cautious Portfolio – Class AD - USD	October 16, 2002
World Selection – Cautious Portfolio – Class IC - USD	October 16, 2002
World Selection – Cautious Portfolio – Class LC - USD	October 14, 2010
World Selection – Balanced Portfolio – Class AC - USD	October 16, 2002
World Selection – Balanced Portfolio – Class AD - USD	October 16, 2002
World Selection – Balanced Portfolio – Class IC - USD	October 16, 2002
World Selection – Balanced Portfolio – Class LC - USD	October 14, 2010
World Selection – Dynamic Portfolio – Class AC - USD	October 16, 2002
World Selection – Dynamic Portfolio – Class IC - USD	October 16, 2002
World Selection – Dynamic Portfolio – Class LC - USD	October 14, 2010

### 2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. 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 statements of operations.

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

- (b) Valuation of investments  
In accordance with U.S. 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, 2013

### 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 inputs 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)

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurements falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Investments are valued as follows:

- Investments in investee funds are valued based on reported net asset value per share as provided by the administrators of the investee funds. The Fund's ability to redeem its investment with the investee fund on the reporting date at the reported net asset value per share and any redemption restrictions for the investee fund, will determine which level in the fair value hierarchy the investment will fall into. The Fund classifies all short-term investments in investee funds with daily liquidity as Level 1 and with monthly liquidity as Level 2 within the fair value hierarchy.
- Securities that are listed on a national securities exchange are valued at the last reported sale price on the last business day of the year. In the event that a sale does not occur on the last business day of the year, such securities are valued at the "bid" price as reported by the principal securities exchange on which such securities are traded. To the extent that these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

#### (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 the 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.

# HSBC Managed Portfolios Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2013

### 2. Significant Accounting Policies (continued)

- (g) Use of estimates  
The preparation of financial statements in accordance with U.S. GAAP 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 statements of operations under "net realized gains on sale of investments" and "net change in unrealized loss on investments", respectively. All other realized and unrealized gains and losses are included in the line item to which they relate.
- (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 are 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) New Accounting Pronouncements  
In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-11, Disclosures about Offsetting Assets and Liabilities (ASU 2011-11 or the ASU). The ASU amends Accounting Standards Codification 210, Balance Sheet (ASC 210) that requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. Amendments are effective for annual periods beginning on or after January 1, 2013.

In January 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-01, the main objective in developing this update is to address implementation issues about the scope of Accounting Standards Update No. 2011-11, Balance Sheet: Disclosures about Offsetting Assets and Liabilities.

The amendments clarify that the scope of update 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. No impact is estimated on the 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	308,823	851,692	182,861
Money market fund	7,368,511	7,705,398	1,550,362
	<u>7,677,334</u>	<u>8,557,090</u>	<u>1,733,223</u>

# HSBC Managed Portfolios Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2013

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

(b) Bank overdraft

Under an agreement dated October 16, 2006 and amended December 17, 2010, the Bank made an overdraft facility available 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 USD6,750,000.

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. At June 30, 2013, USDnil is outstanding under this facility.

(c) Foreign exchange transactions facility

Under an agreement dated October 16, 2006 and amended December 9, 2011, the Bank made available a foreign exchange transactions facility to the Fund, up to a maximum of the lesser of USD18,000,000 or 100% of the NAV of each Portfolio. At June 30, 2013, USDnil 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. 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:

Portfolio	Class	Rate
World Selection - Cautious	AC	1.95%
World Selection - Cautious	AD	1.95%
World Selection - Cautious	IC	1.60%
World Selection - Cautious	LC	1.95%
World Selection - Balanced	AC	2.15%
World Selection - Balanced	AD	2.15%
World Selection - Balanced	IC	1.85%
World Selection - Balanced	LC	2.15%
World Selection - Dynamic	AC	2.20%
World Selection - Dynamic	IC	1.90%
World Selection - Dynamic	LC	2.20%

The fees 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, 2013, the Manager invested certain of the Fund's assets in various other HSBC Funds. In respect of investments in other HSBC funds, the Manager waives from the quarterly fee the amount of the management fee of the underlying fund.

### 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, 2013

### 6. Custodian

Under an agreement effective October 2, 2006, HSBC Institutional Trust Services (Bermuda) Limited 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 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 31, 2035.

### 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, 2013, Mr. L Anthony Joaquin received a director's fee at an annual rate of USD12,500 and Ms. Julie E. McLean received a fee at an annual rate of USD7,500.

### 9. Directors' Interests

As at June 30, 2013, 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. Shareholders requesting redemption of shares must give prior written notice and should be received by the Administrator by 12:00 noon (Bermuda time) on Wednesday of each week and/or such other day or days as the Manager may determine.

	World Selection - Cautious Portfolio Class AC	World Selection - Cautious Portfolio Class AD	World Selection - Cautious Portfolio Class IC	World Selection - Cautious Portfolio Class LC
Shares in issue July 1, 2012	363,350	15,683	466,445	10,342
Shares issued during the year	56,879	8,895	34,307	3,491
Shares redeemed during the year	(36,046)	(7,341)	(89,489)	(3,933)
Shares in issue June 30, 2013	384,183	17,237	411,263	9,900



HSBC Managed Portfolios Limited  
Notes to the Financial Statements (Continued)  
for the year ended June 30, 2013

10. Share Capital (continued)

	World Selection - Balanced Portfolio Class AC	World Selection - Balanced Portfolio Class AD	World Selection - Balanced Portfolio Class IC	World Selection - Balanced Portfolio Class LC
Shares in issue July 1, 2012	363,666	23,701	379,708	19,771
Shares issued during the year	60,560	1,624	31,860	7,962
Shares redeemed during the year	(49,915)	(3,232)	(79,923)	(3,145)
Shares in issue June 30, 2013	374,311	22,093	331,645	24,588

	World Selection - Dynamic Portfolio Class AC	World Selection - Dynamic Portfolio Class IC	World Selection - Dynamic Portfolio Class LC
Shares in issue July 1, 2012	179,121	105,960	25,891
Shares issued during the year	21,441	9,923	9,431
Shares redeemed during the year	(35,009)	(16,094)	(5,372)
Shares in issue June 30, 2013	165,553	99,789	29,950

11. Cost of Investments

Cost of Investments as at June 30, 2013	USD
World Selection - Cautious Portfolio	107,323,004
World Selection - Balanced Portfolio	101,758,167
World Selection - Dynamic Portfolio	41,726,965

12. Financial Instruments and Associated Risks

**Price Risk**

Price 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. Substantially all 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 may use forward contracts for hedging purposes and as independent profit opportunities and invest in other investment companies exposed to significant interest rate risk. The Fund's exposure to interest rate risk through its investment in investee funds is limited to its investment in such funds.

# HSBC Managed Portfolios Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2013

### 12. Financial Instruments and Associated Risks (continued)

#### Liquidity Risk

The Fund mainly invests in certain sub-funds of HSBC International Select Fund. The Fund invests in 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, 2013 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, due from broker and dividends 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, 2013 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 65%, 72% and 76%, respectively, as of June 30, 2013 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 1.50% 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 Portfolio's proportionate share exceeds 5% of the respective Portfolio's net assets as of June 30, 2013.

**HSBC Managed Portfolios Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended June 30, 2013

**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, 2013, the Directors of the Fund declared the following dividends:

<b>Dividends Declared</b>	World Selection - Cautious Portfolio USD	World Selection - Balanced Portfolio USD
Class AC dividends declared	-	-
Class AD dividends declared	12,002	-
Class IC dividends declared	-	-
Class LC dividends declared	-	-
<b>Total dividends declared</b>	<b>12,002</b>	<b>-</b>
Class AC dividends payable	-	-
Class AD dividends payable	3,447	-
Class IC dividends payable	-	-
Class LC dividends payable	-	-
<b>Total dividends payable</b>	<b>3,447</b>	<b>-</b>

The Directors are empowered to declare and pay dividends on any Class of Shares in the Fund. It is intended that the majority 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 July 6, 2009 for HSBC International Select Fund, the Manager serves as a sub-distributor of the investee funds. Effective October 2006, the Fund started recording on an accruals basis rebates due to 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 Fund positions held by each Portfolio.

**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	839,805	980,944	504,840
Class AD management and administration fees	41,771	61,176	-
Class IC management and administration fees	841,551	815,358	270,770
Class LC management and administration fees	24,552	60,091	83,829
<b>Total management and administration fees</b>	<b>1,747,679</b>	<b>1,917,569</b>	<b>859,439</b>
<b>Management and administration fees payable</b>	<b>458,261</b>	<b>512,072</b>	<b>234,742</b>

**HSBC Managed Portfolios Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended June 30, 2013

**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, 2013:

**World Selection - Cautious Portfolio**

	Level 1	Level 2	Level 3	Total
Investments in investee funds, at fair value:				
Alternative	\$ -	\$ 6,547,522	\$ -	\$ 6,547,522
Bonds	67,809,038	-	-	67,809,038
Commodity	2,651,547	-	-	2,651,547
Equities	33,948,484	-	-	33,948,484
Total investments in investee funds, at fair value	104,409,069	6,547,522	-	110,956,591
Investments in securities, at fair value:				
Equities	5,481,767	-	-	5,481,767
Total investments in securities, at fair value	5,481,767	-	-	5,481,767
Cash equivalents	7,368,511	-	-	7,368,511
<b>Total</b>	<b>\$ 117,259,347</b>	<b>\$ 6,547,522</b>	<b>\$ -</b>	<b>\$ 123,806,869</b>

**World Selection - Balanced Portfolio**

	Level 1	Level 2	Level 3	Total
Investments in investee funds, at fair value:				
Alternative	\$ -	\$ 4,104,614	\$ -	\$ 4,104,614
Bonds	43,059,111	-	-	43,059,111
Commodity	3,403,758	-	-	3,403,758
Equities	53,397,350	-	-	53,397,350
Total investments in investee funds, at fair value	99,860,219	4,104,614	-	103,964,833
Investments in securities, at fair value:				
Equities	8,952,957	-	-	8,952,957
Total investments in securities, at fair value	8,952,957	-	-	8,952,957
Cash equivalents	7,705,398	-	-	7,705,398
<b>Total</b>	<b>\$ 116,518,574</b>	<b>\$ 4,104,614</b>	<b>\$ -</b>	<b>\$ 120,623,188</b>

HSBC Managed Portfolios Limited  
Notes to the Financial Statements (Continued)  
for the year ended June 30, 2013

16. Fair Value Measurements (continued)

World Selection - Dynamic Portfolio

	Level 1	Level 2	Level 3	Total
Investments in investee funds, at fair value:				
Alternative	\$ -	\$ 643,699	\$ -	\$ 643,699
Bonds	8,290,379	-	-	8,290,379
Commodity	1,534,938	-	-	1,534,938
Equities	31,631,150	-	-	31,631,150
Total investments in investee funds, at fair value	41,456,467	643,699	-	42,100,166
Investments in securities, at fair value:				
Equities	5,362,674	-	-	5,362,674
Total investments in securities, at fair value	5,362,674	-	-	5,362,674
Cash equivalents	1,550,362	-	-	1,550,362
<b>Total</b>	<b>\$ 48,369,503</b>	<b>\$ 643,699</b>	<b>\$ -</b>	<b>\$ 49,013,202</b>

The Fund's policy is to recognize transfers into and out of various levels of the fair value hierarchy as at the actual date of the event or change in circumstances that caused the transfer. No transfers were made between Levels 1, 2 or 3 of the fair value hierarchy during the year ended June 30, 2013.

At June 30, 2013, the Fund held positions in investee funds which utilized the following investment strategies as disclosed in the statements 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.

**HSBC Managed Portfolios Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended June 30, 2013

**17. Financial Highlights**

**Schedule of Financial Highlights for World Selection - Cautious Portfolio**  
for the year ended June 30, 2013

	USD			
	Class AC	Class AD	Class IC	Class LC
<b>Selected per share data</b>				
Net asset value at beginning of the year	142.05	129.57	144.97	142.05
<b>Income from investment operations</b>				
Net investment income	0.27	0.24	0.80	0.27
Net realized gains on sale of investments and change in unrealized gains on investments	6.74	6.16	6.88	6.74
Total from investment operations	7.01	6.40	7.68	7.01
Dividends declared		(0.60)		
Net asset value at end of the year	149.06	135.37	152.65	149.06
Total return excluding dividends declared	4.93 %	4.94 %	5.30 %	4.93 %
<b>Ratios to average net assets</b>				
Total expenses	1.59 %	1.59 %	1.24 %	1.59 %
Net investment income	0.17 %	0.16 %	0.54 %	0.20 %
<b>Supplemental data</b>				
Net assets at end of the year	57,265,478	2,333,376	62,780,140	1,475,630

**Schedule of Financial Highlights for World Selection - Balanced Portfolio**  
for the year ended June 30, 2013

	USD			
	Class AC	Class AD	Class IC	Class LC
<b>Selected per share data</b>				
Net asset value at beginning of the year	147.40	143.03	149.94	147.40
<b>Income from investment operations</b>				
Net investment loss	(0.57)	(0.54)	(0.09)	(0.57)
Net realized gains on sale of investments and change in unrealized gains on investments	11.80	11.44	12.00	11.80
Total from investment operations	11.23	10.90	11.91	11.23
Net asset value at end of the year	158.63	153.93	161.85	158.63
Total return	7.62 %	7.62 %	7.94 %	7.62 %
<b>Ratios to average net assets</b>				
Total expenses	1.76 %	1.77 %	1.47 %	1.76 %
Net investment loss	(0.35) %	(0.34) %	(0.05) %	(0.38) %
<b>Supplemental data</b>				
Net assets at end of the year	59,377,338	3,400,925	53,677,704	3,900,501

**HSBC Managed Portfolios Limited**  
**Notes to the Financial Statements (Continued)**  
for the year ended June 30, 2013

17. Financial Highlights (continued)

Schedule of Financial Highlights for World Selection - Dynamic Portfolio  
for the year ended June 30, 2013

	USD		
	Class AC	Class IC	Class LC
<b>Selected per share data</b>			
Net asset value at beginning of the year	148.10	150.65	148.10
<b>Income from investment operations</b>			
Net investment loss	(2.39)	(1.94)	(2.41)
Net realized gains on sale of investments and change in unrealized gains on investments	17.81	18.13	17.83
Total from investment operations	<u>15.42</u>	<u>16.19</u>	<u>15.42</u>
Net asset value at end of the year	<u>163.52</u>	<u>166.84</u>	<u>163.52</u>
Total return	10.42 %	10.75 %	10.41 %
<b>Ratios to average net assets</b>			
Total expenses	1.91 %	1.62 %	1.92 %
Net investment loss	(1.49) %	(1.19) %	(1.49) %
<b>Supplemental data</b>			
Net assets at end of the year	27,072,493	16,649,265	4,897,455

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

**18. Subsequent Events**

On September 26, 2013 the Directors have approved the launch of two new Portfolios, World Selection – Conservative Portfolio and World Selection – Aggressive Portfolio.

The Directors have assessed and evaluated all subsequent events arising from the date of statement of assets and liabilities up until September 26, 2013 and has concluded that no other additional disclosure is required.

# HSBC Managed Portfolios Limited

## Management and Administration

for the year ended June 30, 2013

### Directors and Officers

William D. Thomson (resigned on November 28, 2012)  
Director and President  
Retired Executive Vice President  
HSBC Bank Bermuda Limited

L. Anthony Joaquin (appointed on November 28, 2012)  
Director and President  
Retired Managing Partner  
Ernst & Young

Faith Outerbridge, Director and Vice President  
Head of Global Asset Management  
HSBC Bank Bermuda Limited

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

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

### Custodian

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

### Banker

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

### Administrator

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