

# HSBC Specialist Funds Limited

Annual Report June 2024

# HSBC Specialist Funds Limited

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*The accompanying report of KPMG Audit Limited ("KPMG") is for the sole and exclusive use of the Company. No person, other than the Company, is authorized to rely upon the report of KPMG unless KPMG expressly so authorizes. Further, the report of KPMG is as of October 16, 2024 and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.*

# Manager's Report

## for the year ended June 30, 2024

### Short Duration Fixed Income Fund

#### Market Review

2023 ended with a risk asset rally which saw markets finish close to historical highs as inflation concerns began to subside and the expectations for a soft-landing and potential rate cuts in 2024 became the dominant market narrative. 2024 saw a continuation of the risk asset rally fueled by strong US growth data, a resilient consumer and subdued inflation at the same time as markets anticipated a dovish Fed pricing rate cuts as soon as March. This gave way to concerns around the conflict in the Middle East and global growth due to higher oil prices, disrupted shipping, and higher transport costs. Later in the year, a combination of higher-than-expected inflation data as well as elevated geopolitical risks in the Middle East saw an increase in volatility, sending interest rates higher and risk assets lower before the period ended with US economic data which came in lower than expected and a more dovish tone from the Fed as a result.

Over the one-year period from 6/30/2023 to 6/30/2024, US treasuries rose across with curve, with the exception of the 2 year further steepening the curve. The 2 year ending the period 14bps lower to finish at 4.75%.

#### Performance and positioning

After a rally in the fourth quarter of 2023, sticky inflation and stronger-than-expected data caused yields to move higher. This kept the Fed on hold for longer than investors had expected; as they priced in seven rate cuts for the year. The Company provided positive gross performance on an absolute basis and relative to its benchmark. The Company's exposure to corporate credit was a contributor to relative returns. In addition, the underweight to Treasuries added to relative returns, as did the off-benchmark exposure to ABS.

The portfolio remains overweight to corporate bonds vs US Treasuries with an allocation to high quality ABS. The average credit rating is lower than that of the benchmark at AA/AA- with an overweight to AAA and A and an underweight to AA rated bonds. The portfolio currently maintains a duration near that of its benchmark, however it maintains relative overweights in the 0-1y and 3-5y sections of the curve, with an underweight in the 1-3y space. Country-wise, the portfolio continues to benefit from regional diversification and enhanced spread-pick up opportunities by allocating across non-US issuers.

#### Outlook

With an easing cycle almost here, duration extension is set to outperform rolling shorter maturities for a few factors – term premium, the market not pricing-in enough dovish scenarios and the windfall scenario where the Fed would need to aggressively cut rates in response to something breaking/rapidly deteriorating economic conditions. When it is not possible to term out within a portfolio, floating rate CP/CDs offer attractive spreads vs fixed-rate paper.

Credit spreads may widen if the economic cycle deteriorates, though it is hard to deny that the US economy is still in decent shape. Should a downturn materialize, many corporates have stable balance sheets, and a selective approach can help investors capitalize on income opportunities while avoiding the risks associated with downgrades.

HSBC Global Asset Management (Bermuda) Limited – October, 2024

*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 AUDITOR'S REPORT

### To the Board of Directors of HSBC Specialist Funds Limited

#### Opinion

We have audited the financial statements of HSBC Specialist Funds Limited (comprised of Short Duration Fixed Income Fund and the Alternative Fund) (the "Company"), which comprise the statement of assets and liabilities, including the statement of net assets, as of June 30, 2024, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024, and the results of its operations for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Other information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information in the annual report on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
October 16, 2024

# HSBC Specialist Funds Limited

## Statements of Assets and Liabilities

as at June 30, 2024

	Short Duration Fixed Income Fund USD	Alternative Fund USD
<b>Assets</b>		
Investments at fair value (notes 11, 12, 13 & 16)	91,921,078	33,721,947
Cash and cash equivalents (notes 3 & 16)	2,089,854	2,456
Interest and dividends receivable	834,588	-
Receivable for investments sold	-	200,000
Due from shareholders	-	13,826
Prepaid expenses	13,034	5,970
	94,858,554	33,944,199
<b>Liabilities</b>		
Due to shareholders	-	73,440
Management fee payable (notes 4 & 15)	23,934	25,915
Dividends payable (note 14)	188,562	-
Redemption payable	1,103,914	-
Accounts payable and accrued expenses	50,237	13,763
	1,366,647	113,118
<b>Net assets</b>	<b>93,491,907</b>	<b>33,831,081</b>
<b>Net assets attributable to:</b>		
Class AC Shares	34,669,480	30,926,995
Class AD Shares	17,854,161	-
Class CC Shares	40,968,266	-
Class LC Shares	-	2,904,086
<b>Shares outstanding (note 10)</b>		
Class AC Shares	296,124	87,449
Class AD Shares	178,228	-
Class CC Shares	354,835	-
Class LC Shares	-	8,212
<b>Net asset value per share</b>		
Class AC Shares	117.08	353.66
Class AD Shares	100.18	-
Class CC Shares	115.46	-
Class LC Shares	-	353.66



Director

The accompanying notes form an integral part of these Financial Statements

# HSBC Specialist Funds Limited

## Statements of Net Assets

as at June 30, 2024

### Short Duration Fixed Income Fund

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
<b>Fixed Income Notes</b>				
<b>Australia</b>				
Australia New Zealand Banking 4.675% 15/06/2026	500,000	500,000	496,481	0.53
Australia New Zealand Banking 5.088% 08/12/2025	930,000	930,000	929,462	0.99
Australia New Zealand Banking G 4.75% 18/01/2027	500,000	500,000	497,183	0.53
BHP Billiton Finance USA Ltd 4.875% 27/02/2026	500,000	496,319	496,631	0.53
BHP Billiton Finance USA Ltd 5.25% 08/09/2026	250,000	248,434	250,205	0.27
Commonwealth Bank of AustraliaN 5.316% 13/03/2026	680,000	679,971	682,437	0.73
Macquarie Bank Ltd 5.208% 15/06/2026	750,000	748,044	749,247	0.80
Macquarie Bank Ltd 5.272% 02/07/2027	500,000	500,000	500,500	0.53
Macquarie Bank Ltd 5.391% 07/12/2026	500,000	500,000	501,447	0.54
National Australia Bank LtdNew 4.966% 12/01/2026	1,000,000	1,000,000	994,566	1.06
National Australia Bank LtdNew 5.087% 11/06/2027	455,000	455,000	455,807	0.49
National Australia Bank LtdNew Y 4.75% 10/12/2025	250,000	249,675	248,439	0.27
Westpac Banking Corp 5.512% 17/11/2025	1,000,000	1,000,000	1,004,587	1.07
	<b>7,815,000</b>	<b>7,807,443</b>	<b>7,806,992</b>	<b>8.34</b>
<b>Canada</b>				
Federation des Caisses Desjardi 5.147% 27/11/2028	450,000	450,000	456,228	0.49
Federation des Caisses Desjardins 4.4% 23/08/2025	250,000	246,868	247,024	0.26
Royal Bank of Canada 4.875% 12/01/2026	500,000	501,142	496,145	0.53
Royal Bank of Canada 5.2% 20/07/2026	250,000	248,366	249,656	0.27
TorontoDominion BankThe 5.103% 09/01/2026	500,000	500,386	497,936	0.53
TorontoDominion BankThe 5.532% 17/07/2026	500,000	498,785	501,714	0.54
	<b>2,450,000</b>	<b>2,445,547</b>	<b>2,448,703</b>	<b>2.62</b>
<b>Finland</b>				
Nordea Bank Abp 3.6% 06/06/2025	1,000,000	999,956	983,207	1.05
Nordea Bank Abp 5% 19/03/2027	1,000,000	999,768	998,592	1.07
	<b>2,000,000</b>	<b>1,999,724</b>	<b>1,981,799</b>	<b>2.12</b>
<b>France</b>				
Banque Federative du Credit Mut 4.935% 26/01/2026	1,000,000	1,000,000	992,087	1.06
Banque Federative du Credit Mut 5.088% 23/01/2027	205,000	205,000	204,020	0.22
Banque Federative du Credit Mut 5.896% 13/07/2026	500,000	500,000	504,164	0.54

The accompanying notes form an integral part of these Financial Statements

# HSBC Specialist Funds Limited

## Statements of Net Assets (Continued)

as at June 30, 2024

### Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
<b>Fixed Income Notes (continued)</b>				
<b>France (continued)</b>				
BPCE SA 1% 20/01/2026	500,000	469,571	467,094	0.50
BPCE SA 5.203% 18/01/2027	500,000	500,000	498,564	0.53
Credit Agricole SA 5.589% 05/07/2026	1,500,000	1,500,000	1,507,164	1.61
Credit Agricole SALondon 2.375% 22/01/2025	250,000	249,468	245,694	0.26
	<u>4,455,000</u>	<u>4,424,039</u>	<u>4,418,787</u>	<u>4.72</u>
<b>Japan</b>				
Mitsubishi UFJ Financial Gr 5.063% VRN 12/09/2025	1,500,000	1,500,000	1,497,425	1.60
Mitsubishi UFJ Financial Gr 5.719% VRN 20/02/2026	500,000	499,023	499,900	0.53
Mizuho Financial Group Inc 2.651% VRN 22/05/2026	500,000	478,824	487,272	0.52
NTT Finance Corp 1.162% 03/04/2026	250,000	232,324	232,839	0.25
NTT Finance Corp 4.239% 25/07/2025	990,000	988,460	977,806	1.05
NTT Finance Corp 5.104% 02-07-2027	600,000	600,000	599,276	0.64
Sumitomo Mitsui Financial Group 5.88% 13/07/2026	500,000	500,126	504,399	0.54
Sumitomo Mitsui Financial Group 5.464% 13/01/2026	500,000	498,809	499,918	0.53
Toyota Motor Corp 5.275% 13/07/2026	250,000	250,270	250,701	0.27
	<u>5,590,000</u>	<u>5,547,836</u>	<u>5,549,536</u>	<u>5.93</u>
<b>Netherlands</b>				
Cooperatieve Rabobank UANY 5.041% 05/03/2027	1,500,000	1,500,000	1,496,843	1.60
Siemens Financieringsmat 6.125% 17/08/2026	500,000	507,180	510,078	0.55
	<u>2,000,000</u>	<u>2,007,180</u>	<u>2,006,921</u>	<u>2.15</u>
<b>Norway</b>				
Equinor ASA 1.75% 22/01/2026	500,000	474,106	475,012	0.51
	<u>500,000</u>	<u>474,106</u>	<u>475,012</u>	<u>0.51</u>
<b>New Zealand</b>				
Westpac New Zealand Ltd 5.132% 26/02/2027	210,000	210,000	209,436	0.22
	<u>210,000</u>	<u>210,000</u>	<u>209,436</u>	<u>0.22</u>
<b>Singapore</b>				
Pfizer Investment Enterprises Pt 4.45% 19/05/2026	750,000	750,429	740,148	0.79
	<u>750,000</u>	<u>750,429</u>	<u>740,148</u>	<u>0.79</u>

The accompanying notes form an integral part of these Financial Statements



# HSBC Specialist Funds Limited

## Statements of Net Assets (Continued)

as at June 30, 2024

### Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
<b>Fixed Income Notes (continued)</b>				
<b>South Korea</b>				
Kookmin Bank 1.375% 06/05/2026	500,000	462,526	466,870	0.50
Korea EastWest Power Co Ltd 1.75% 05/06/2025	750,000	755,901	727,190	0.78
	1,250,000	1,218,427	1,194,060	1.28
<b>Sweden</b>				
Skandinaviska Enskilda Banken A 5.125% 05/03/2027	375,000	374,098	375,026	0.40
Skandinaviska Enskilda Banken AB 1.4% 19/11/2025	500,000	473,147	474,104	0.51
Svenska Handelsbanken AB 3.65% 10/06/2025	250,000	246,637	245,795	0.26
Svenska Handelsbanken AB 5.125% 28/05/2027	335,000	334,645	335,144	0.36
	1,460,000	1,428,527	1,430,069	1.53
<b>Switzerland</b>				
Credit Suisse AGNew York NY 3.7% 21/02/2025	1,000,000	999,666	987,184	1.06
UBS AGLondon 1.25% 01/06/2026	500,000	460,326	463,241	0.50
	1,500,000	1,459,992	1,450,425	1.56
<b>United Kingdom</b>				
Nationwide Building Society 5.264% 10/11/2026	1,125,000	1,125,000	1,131,840	1.21
NatWest Markets PLC 5.416% 17/05/2027	500,000	500,000	499,908	0.53
	1,625,000	1,625,000	1,631,748	1.74
<b>United States of America</b>				
Athene Global Funding 1.45% 08/01/2026	250,000	231,469	234,805	0.25
Athene Global Funding 5.516% 25/03/2027	250,000	250,000	250,725	0.27
Athene Global Funding 5.62% 08/05/2026	250,000	250,000	250,296	0.27
Bank of America NA 5.526% 18/08/2026	1,000,000	1,000,000	1,006,564	1.08
Bank of New York MellonThe 5.224% VRN 21/11/2025	500,000	500,683	499,159	0.53
CarMax Auto Owner Trust 2021-2 0.52% 17/02/2026	500,000	84,525	83,652	0.09
CCG Receivables Trust 2022-1 3.91% 16/07/2029	1,500,000	558,447	552,554	0.59
Cisco Systems Inc 4.8% 26/02/2027	920,000	918,873	917,618	0.98
Citibank NA 5.438% 30/04/2026	630,000	630,000	631,889	0.68
Discover Card Execution Note Tr 4.31% 15/03/2028	1,500,000	1,499,932	1,478,206	1.58
Eli Lilly Co 4.5% 09/02/2027	500,000	499,745	495,406	0.53
Equitable Financial Life Global F 1.4% 07/07/2025	500,000	484,591	479,116	0.51
Equitable Financial Life Global F 5.5% 02/12/2025	1,000,000	999,830	999,585	1.07
Federal National Mortgage Associ 0.75% 08/10/2027	3,500,000	3,204,886	3,098,588	3.31
GM Financial Consumer Automobile 0.51% 16/04/2026	300,000	55,253	54,594	0.06
Goldman Sachs Bank USANew Y 5.414% VRN 21/05/2027	630,000	630,000	629,027	0.67
JPMorgan Chase Co 5.546% VRN 15/12/2025	500,000	500,000	499,552	0.53

The accompanying notes form an integral part of these Financial Statements

# HSBC Specialist Funds Limited

## Statements of Net Assets (Continued)

as at June 30, 2024

### Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
<b>Fixed Income Notes (continued)</b>				
<b>United States of America (continued)</b>				
JPMorgan Chase Bank NA 5.11% 08/12/2026	1,250,000	1,250,000	1,249,090	1.34
Kenvue Inc 5.35% 22/03/2026	1,000,000	999,563	1,001,838	1.07
MassMutual Global Funding II 4.15% 26/08/2025	660,000	657,356	651,920	0.70
MassMutual Global Funding II 4.5% 10/04/2026	500,000	491,987	494,700	0.53
MassMutual Global Funding II 5.1% 09/04/2027	310,000	309,889	310,037	0.33
Mercedes-Benz Auto Receivables 5.21% 16/08/2027	1,000,000	999,860	998,324	1.07
MercedesBenz Finance North Ameri 4.95% 30/03/2025	500,000	497,639	497,788	0.53
Met Tower Global Funding 3.7% 13/06/2025	250,000	246,373	245,965	0.26
Met Tower Global Funding 4.85% 16/01/2027	150,000	149,885	149,198	0.16
Met Tower Global Funding 5.4% 20/06/2026	500,000	499,715	501,401	0.54
Metropolitan Life Global Funding 5.05% 11/06/2027	1,000,000	998,751	998,952	1.07
Morgan Stanley 2.72% VRN 22/07/2025	250,000	245,098	249,535	0.27
Morgan Stanley 3.875% 27/01/2026	250,000	244,429	244,368	0.26
Morgan Stanley Bank NA 4.754% 21/04/2026	250,000	246,676	247,849	0.26
Morgan Stanley Bank NA 5.479% 16/07/2025	975,000	974,655	976,926	1.04
Navient Private Education Refi 1.06% 15/10/2069	1,000,000	490,310	432,440	0.46
Navient Private Education Refi 2.23% 15/07/2070	1,500,000	1,079,661	953,558	1.02
Navient Private Education Refi LN 1.11% 18/02/2070	1,000,000	624,230	534,480	0.57
Nestle Holdings Inc 5.25% 13/03/2026	1,000,000	999,722	1,003,546	1.07
New York Life Global Funding 3.6% 05/08/2025	500,000	493,422	491,325	0.53
New York Life Global Funding 4.7% 02/04/2026	500,000	499,649	495,836	0.53
New York Life Global Funding 4.9% 02/04/2027	500,000	499,722	498,081	0.53
Nissan Auto Receivables 2021-A 0.33% 15/10/2025	1,850,000	353,126	349,216	0.37
PACCAR Financial Corp 5.2% 09/11/2026	665,000	664,546	668,045	0.71
PepsiCo Inc 5.125% 10/11/2026	500,000	499,860	502,286	0.54
Pricoa Global Funding I 4.2% 28/08/2025	335,000	334,901	330,095	0.35
Pricoa Global Funding I 5.55% 28/08/2026	470,000	470,326	473,599	0.51
Principal Life Global Funding II 1.25% 23/06/2025	250,000	242,641	240,006	0.26
Roche Holdings Inc 2.625% 15/05/2026	1,000,000	954,706	957,907	1.02
SMB Private Education Loan Trust 1.31% 17/07/2051	1,835,000	790,271	719,004	0.77
Texas Instruments Inc 4.6% 08/02/2027	1,515,000	1,514,080	1,505,340	1.61
Toyota Auto Receivables 2022-D 5.3% 15/09/2027	1,000,000	999,931	998,861	1.07
Toyota Motor Credit Corp 5% 19/03/2027	250,000	249,704	249,983	0.27
Wells Fargo Bank NA 5.254% 11/12/2026	750,000	750,000	750,804	0.80
World Omni Auto Receivables Trust 0.3% 15/01/2026	1,000,000	103,402	102,618	0.11
	40,495,000	33,724,320	33,236,257	35.53
	72,100,000	65,122,570	64,579,893	69.04

The accompanying notes form an integral part of these Financial Statements

# HSBC Specialist Funds Limited

## Statements of Net Assets (Continued)

as at June 30, 2024

### Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
<b>Floating Rate Notes</b>				
<b>Australia</b>				
Commonwealth Bank of Australia FRN 13/03/2026	750,000	782,026	753,903	0.81
Macquarie Bank Ltd FRN 15/06/2026	320,000	320,000	323,562	0.35
National Australia Bank Ltd FRN 11/06/2027	250,000	250,000	250,162	0.27
Westpac Banking Corp FRN 17/11/2025	250,000	250,000	251,399	0.27
	<u>1,570,000</u>	<u>1,602,026</u>	<u>1,579,026</u>	<u>1.70</u>
<b>Canada</b>				
Canadian Imperial Bank of Commerce FRN 07/04/2025	500,000	500,184	502,117	0.54
	<u>500,000</u>	<u>500,184</u>	<u>502,117</u>	<u>0.54</u>
<b>Finland</b>				
Nordea Bank Abp FRN 19/03/2027	250,000	250,000	250,929	0.27
	<u>250,000</u>	<u>250,000</u>	<u>250,929</u>	<u>0.27</u>
<b>France</b>				
Banque Federative du Credit Mutuel FRN 13/07/2026	250,000	250,000	253,576	0.27
BPCE SA FRN 14/01/2025	750,000	749,874	750,863	0.80
	<u>1,000,000</u>	<u>999,874</u>	<u>1,004,439</u>	<u>1.07</u>
<b>Japan</b>				
Mizuho Financial Group Inc FRN 22/05/2026	500,000	498,534	502,181	0.54
	<u>500,000</u>	<u>498,534</u>	<u>502,181</u>	<u>0.54</u>
<b>Singapore</b>				
DBS Group Holdings Ltd FRN 12/09/2025	1,000,000	1,000,000	1,003,357	1.07
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,003,357</u>	<u>1.07</u>
<b>Sweden</b>				
Skandinaviska Enskilda Banken AB FRN 09/06/2025	250,000	249,975	251,290	0.27
Svenska Handelsbanken AB FRN 28/05/2027	250,000	250,000	250,309	0.27
	<u>500,000</u>	<u>499,975</u>	<u>501,599</u>	<u>0.54</u>
<b>United Kingdom</b>				
NatWest Markets PLC FRN 22/03/2025	250,000	250,089	251,747	0.27
	<u>250,000</u>	<u>250,089</u>	<u>251,747</u>	<u>0.27</u>

The accompanying notes form an integral part of these Financial Statements

# HSBC Specialist Funds Limited

## Statements of Net Assets (Continued)

as at June 30, 2024

### Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
<b>Floating Rate Notes (continued)</b>				
<b>United States of America</b>				
Athene Global Funding FRN 08/05/2026	250,000	250,000	250,085	0.27
Athene Global Funding FRN 25/03/2027	145,000	145,000	145,835	0.15
Bank of America NA FRN 18/08/2025	500,000	499,967	502,473	0.54
Bank of America NA FRN 18/08/2026	500,000	500,000	505,061	0.54
Bank of New York MellonThe FRN 13/03/2026	455,000	455,000	455,311	0.49
BMW US Capital LLC FRN 02/04/2026	240,000	240,000	240,867	0.26
BMW US Capital LLC FRN 11/08/2025	500,000	500,000	501,472	0.54
Citibank NA FRN 30/04/2026	500,000	500,000	500,659	0.54
Goldman Sachs Bank USANew York NY FRN 21/05/2027	240,000	240,000	240,171	0.26
JPMorgan Chase Bank NA FRN 08/12/2026	250,000	250,000	253,465	0.27
Metropolitan Life Global Funding I FRN 11/06/2027	215,000	215,000	215,706	0.23
Morgan Stanley Bank NA FRN 16/07/2025	250,000	250,000	251,206	0.26
New York Life Global Funding FRN 02/04/2027	250,000	250,000	250,998	0.27
New York Life Global Funding FRN 09/06/2026	250,000	249,998	250,081	0.27
PepsiCo Inc FRN 13/02/2026	500,000	496,979	501,266	0.54
Toyota Motor Credit Corp FRN 19/03/2027	250,000	250,000	251,094	0.27
Wells Fargo Bank NA FRN 11/12/2026	250,000	250,000	253,096	0.27
	5,545,000	5,541,944	5,568,846	5.97
	11,115,000	11,142,626	11,164,241	11.97
<b>Treasury Notes</b>				
<b>United States of America</b>				
United States Treasury NoteBond 3.625% 31/05/2028	750,000	741,091	728,716	0.78
United States Treasury NoteBond 4% 31/01/2029	2,250,000	2,220,991	2,215,766	2.37
United States Treasury NoteBond 4.125% 31/03/2029	2,500,000	2,452,619	2,474,951	2.65
United States Treasury NoteBond 4.5% 15/05/2027	7,250,000	7,209,237	7,241,221	7.74
United States Treasury NoteBond 4.5% 31/05/2029	1,500,000	1,502,590	1,510,430	1.62
United States Treasury NoteBond 4.625% 15/06/2027	2,000,000	2,007,894	2,005,860	2.15
	16,250,000	16,134,422	16,176,944	17.31
	99,465,000	92,399,618	91,921,078	98.32
Total investments	99,465,000	92,399,618	91,921,078	98.32
Other net assets			1,570,829	1.68
Net assets			93,491,907	100.00

The accompanying notes form an integral part of these Financial Statements

HSBC Specialist Funds Limited  
**Statements of Net Assets (Continued)**  
as at June 30, 2024

<b>Alternative Fund</b>	Liquidity Period	Holdings In Shares	Purchase Price USD	Fair Value USD	% of Net Assets
<b>Investment in investee fund:</b>					
<b>Guernsey</b>					
<b>Multi-Strategy</b>					
HSBC Portfolio Selection Fund Acc*	Monthly	111,169	21,546,182	33,721,947	99.68
Total investments				33,721,947	99.68
Other net assets				109,134	0.32
<b>Net assets</b>				<b>33,831,081</b>	<b>100.00</b>

\* Limits on Redemptions

The Manager may limit the number of units in the Company which may be redeemed on any dealing day to not more than 10% of the total number of units in issue immediately before such date. Such 10% limit shall be calculated in respect of the Company as a whole and not in respect of each individual unit class. Any units failing to be redeemed upon the exercise of this discretion by the Manager will be carried forward to the next dealing day and shall be redeemed pro rata in priority to any other units in respect of which a redemption notice has subsequently been received.

The accompanying notes form an integral part of these Financial Statements

HSBC Specialist Funds Limited  
**Statements of Operations**  
for the year ended June 30, 2024

	Short Duration Fixed Income Fund USD	Alternative Fund USD
<b>Income</b>		
Interest income	4,137,091	-
Other income	2,061	-
	4,139,152	-
<b>Expenses</b>		
Management fees (notes 4 & 15)	307,075	324,240
Audit fees	25,397	8,762
Directors' fees (note 8)	8,793	3,084
Other expenses	60,659	10,941
	401,924	347,027
Net investment income/(loss)	3,737,228	(347,027)
Net realized (losses)/gains on sale of investments	(1,053,257)	639,277
Net change in unrealized gains on investments	1,859,708	2,740,972
	806,451	3,380,249
Net increase in net assets resulting from operations	4,543,679	3,033,222

The accompanying notes form an integral part of these Financial Statements

# HSBC Specialist Funds Limited

## Statements of Changes in Net Assets

for the year ended June 30, 2024

<b>Short Duration Fixed Income Fund</b>	Class AC USD	Class AD USD	Class CC USD	Total
Net assets at start of the year	32,760,352	17,658,227	41,535,808	91,954,387
<b>Net increase in net assets from operations</b>				
Net investment income	1,344,579	711,489	1,681,160	3,737,228
Net realized losses on sale of investments	(382,666)	(203,966)	(466,625)	(1,053,257)
Net change in unrealized gains on investments	684,341	365,624	809,743	1,859,708
	1,646,254	873,147	2,024,278	4,543,679
<b>Subscriptions and redemptions</b>				
Proceeds on issue of shares	272,874	-	-	272,874
Payments on redemption of shares	(10,000)	-	(2,591,820)	(2,601,820)
	262,874	-	(2,591,820)	(2,328,946)
Dividends (note 14)	-	(677,213)	-	(677,213)
Net assets at end of the year	34,669,480	17,854,161	40,968,266	93,491,907
<b>Alternative Fund</b>	Class AC USD	Class LC USD	Total	
Net assets at start of the year		28,528,103	2,639,447	31,167,550
<b>Net increase in net assets from operations</b>				
Net investment loss		(317,460)	(29,567)	(347,027)
Net realized gains on sale of investments		584,669	54,608	639,277
Net change in unrealized gains on investments		2,508,016	232,956	2,740,972
		2,775,225	257,997	3,033,222
<b>Subscriptions and redemptions</b>				
Proceeds on issue of shares		1,354,654	88,390	1,443,044
Payments on redemption of shares		(1,730,987)	(81,748)	(1,812,735)
		(376,333)	6,642	(369,691)
Net assets at end of the year		30,926,995	2,904,086	33,831,081

The accompanying notes form an integral part of these Financial Statements

# HSBC Specialist Funds Limited

## Notes to the Financial Statements

for the year ended June 30, 2024

### 1. The Company

HSBC Specialist Funds Limited (the "Company") is an open-ended exempted mutual fund company incorporated with limited liability and unlimited duration in Bermuda on September 5, 2001 in accordance with the Companies Act 1981 of Bermuda.

The Company 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 Company consists of two Funds namely Short Duration Fixed Income Fund and the Alternative Fund (the "Funds"). The shares of the Company are divided into several classes (the "Classes"), one or more of which will be related to a Fund within the Company for which the Company maintains separate accounts. The assets of each Class of the Company are held exclusively for the benefit of the holders of the shares of the relevant Class. However, all assets of the Company are subject to the general creditors of the Company, in that the assets of each Class may be exposed to the liabilities of other Classes within the Company. At June 30, 2024, the Directors were not aware of any such specific existing or contingent liabilities.

The principal objective of the Short Duration Fixed Income Fund is to maximize income while attempting to minimize the risk of capital deterioration.

The objective of the Alternative Fund is to provide a total return from selected investments in a number of hedge funds, which utilize and trade a range of different strategies and markets worldwide.

The following Funds and share classes existing as at June 30, 2024 (see also Note 10):

	Date of Inception
Short Duration Fixed Income Fund - Class AC - USD	March 8, 2010
Short Duration Fixed Income Fund - Class AD - USD	March 31, 2011
Short Duration Fixed Income Fund - Class CC - USD	February 28, 2014
Alternative Fund - Class AC - USD	March 31, 2015
Alternative Fund - Class LC - USD	March 31, 2015

### 2. Significant Accounting Policies

#### Basis of preparation

The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The Company meets the typical characteristics of an investment company and is therefore applying the accounting and reporting guidance under Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 946, *Financial Services – Investment Companies*.

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 first in first out basis for the Short Duration Fixed Income Fund and on a weighted average cost basis for the Alternative Fund. Realized and unrealized gains and losses arising from investment transactions 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. Bad debts are immediately recognized as an expense when unable to collect the income to offset the revenue.



# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 2. Significant Accounting Policies (continued)

#### (b) Valuation of investments

In accordance with US GAAP, fair value is defined as the price that the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidelines for fair value measurements establishes a framework for measuring fair value, using a three-level hierarchy for fair value measurements. For nonpublic entities, the amendments involve the elimination of certain disclosure requirements of ASC 820. These include transfers between Level 1 and Level 2 of the fair value hierarchy, the Company policy for the timing of transfers between levels, the valuation processes for Level 3 fair value measurements, and the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period and the roll forward of Level 3 fair value measurements. The three-tier hierarchy of inputs is summarized below:

- Level 1 – observable prices and quoted prices in active markets for identical investments that the Company is able to access
- 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 Company'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 in its entirety.

Investments in securities are valued as follows:

- The fair value of debt instruments is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivatives instruments. While most debt instruments are categorized in Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3 of the fair value hierarchy. All cash and cash equivalents held at the year-end has been recognized in Level 1 of the fair value hierarchy.
- Commercial paper is estimated using amortized cost, which approximates fair value. To the extent the inputs are observable and timely, the values would be categorized in Level 2 of the fair value hierarchy and no commercial paper investment recorded as at June 30, 2024.
- Investments in other investment funds are valued based on reported net asset value per share as provided by the administrators of the other investment funds. Investee Funds measured using net asset value as a practical expedient are not categorized within the fair value hierarchy.

#### (c) Cash and cash equivalents and bank overdrafts

Cash and cash equivalents include cash balances, money market funds, and short-term fixed deposits with maturity dates of less than 30 days from the date of purchase. Cash and cash equivalents include bank overdrafts with maturities of three months or less, from date of purchase.

#### (d) Interest and dividend income

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

The net effect of bond coupon interest and amortization and accretion of premiums and discounts using the effective interest method could be positive or negative and is disclosed as part of interest income in the statements of operations.

#### (e) Expenses

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

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 2. Significant Accounting Policies (continued)

(f) Use of estimates

Preparing financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, including the fair value of investments, and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

(g) Foreign currency translation

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

(h) Redemption payable

In accordance with FASB ASC Topic 480, *Distinguishing Liabilities from 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. Redemptions are recognized as liabilities when the amount requested in the redemption notices becomes fixed, which generally occurs on the last day of the year covered by the financial statements. As a result, redemptions paid after the end of the year, based on the NAV of the Company at year-end, are included in redemptions payable at June 30, 2024. Redemption notices received for which the dollar amount is not fixed remain in net assets until the net asset values used to determine the redemption and share amounts are determined.

(i) Allocation of profits and losses

All investment income, realized and unrealized gains and losses are allocated to each Class of shares outstanding on a daily basis for the Short Duration Fixed Income Fund and on a monthly basis for the Alternative Fund in proportion to their respective interest in the net asset value of the respective Fund.

(j) New accounting pronouncements

ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

On March 12, 2020, the FASB has issued the Accounting Standard Update 2020-04 by adding Topic 848, *Reference Rate Reform*. The ASU is intended to help stakeholders during the global market-wide reference rate transition period. The amendments in this Update are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this Update provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met.

The amendment is applicable only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship.

There are no new accounting standards, amendments and interpretations to existing standards that are expected to have an impact on the financial statements of the Company.

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 3. Cash and Cash Equivalents

Cash balances and bank overdraft facility are held with HSBC Bank Bermuda Limited (the "Bank"). Cash equivalents comprise investments in HSBC Corporate Money Funds Limited.

	Short Duration Fixed Income Fund USD	Alternative Fund USD
Cash at bank	-	2,456
Money market fund	2,089,854	-
	<b>2,089,854</b>	<b>2,456</b>

### 4. Manager

Under an agreement dated January 17, 2002, September 12, 2016 and April 23, 2018, HSBC Global Asset Management (Bermuda) Limited agreed to act as Manager of the Company and to be responsible for the day-to-day management. The Manager is entitled to receive from the Short Duration Fixed Income Fund, out of the assets attributable to the Short Duration Fixed Income Fund, a monthly management fee calculated at a rate of up to 1% per annum of the average net asset value of the Short Duration Fixed Income Fund on each valuation day and to be reimbursed for its out-of-pocket expenses. The management fee is calculated daily and paid on the last business day of the month.

The Manager is entitled to receive from the Alternative Fund, out of the assets attributable to the Alternative Fund, a monthly management fee calculated at a rate of up to 2.5% per annum of the average net asset value of the Alternative Fund on each valuation day and to be reimbursed for its out-of-pocket expenses. The management fee is calculated monthly and paid as at the last Valuation Day in each calendar quarter.

For the year ended June 30, 2024, the Manager has invested certain of the Company's assets in various other HSBC Funds. The Manager received additional management fees on the assets directly from those funds in accordance with the respective management agreements.

The fee rates incurred during the year were as follows:

Fund	Class	Rate
Short Duration Fixed Income	AC	0.40%
Short Duration Fixed Income	AD	0.40%
Short Duration Fixed Income	CC	0.25%
Alternative	AC	1.00%
Alternative	LC	1.00%

The Manager, out of the management fees paid to it for its services provided pursuant to this agreement, shall be responsible for the payment of fees and/or expenses of the Custodian and Administrator of the Company.

### 5. Administrator

Under an agreement dated January 16, 2002, May 20, 2016, November 8, 2017 and as amended and signed on January 31, 2020 between the Company and HSBC Securities Services (Bermuda) Limited (the "Administrator"), a wholly-owned subsidiary of the Bank, the Administrator agreed to act as share registrar, transfer agent and the secretary, and to provide Foreign Accountant Tax Compliance Act (FATCA) assistance services, accounting and administrative services to the Company. The Administrator shall be paid by the Company, or the Company shall procure that the Manager as its delegate shall pay, by way of remuneration for its services pursuant to this agreement fees at such rates as may be agreed from time to time between the Company and the Administrator out of the fees payable to the Manager by the Company.

The Administrator is also entitled to receive from the Company or the Company shall procure that the Manager as its delegate shall pay an amount equal to the out-of-pocket expenses incurred in carrying out its duties.

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 6. Custodian

Under an agreement dated January 4, 2021, HSBC Continental Europe (the "Custodian") was appointed Custodian for the Company. The Custodian shall be paid by the Company, or the Company shall procure that the Manager as its delegate shall pay, by way of remuneration for its services pursuant to this agreement fees at such rates as may be agreed from time to time between the Company and the Custodian out of the fees payable to the Manager by the Company.

The Custodian is also entitled to receive from the Company or the Company shall procure that the Manager as its delegate shall pay an amount equal to the out-of-pocket expenses incurred in carrying out its duties.

### 7. Taxation

On December 27, 2023, Bermuda enacted the Corporate Income Tax Act 2023 "CIT Act" which provides for the taxation of in-scope entities in respect of tax years beginning on or after January 1, 2025. In-scope entities under the CIT Act are the Bermuda constituent entities of multinational enterprises that have revenue in excess of EUR 750 million for at least two of the last four fiscal years. The Company is an investment fund. It is managed by a member of MNE but it is not a constituent entity of an In Scope MNE Group and it is not a consolidated member. The Company is therefore not subject to Bermuda corporate income tax.

FASB ASC Topic 740 "Income Taxes" ("ASC 740") provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be derecognized and recorded as a tax expense in the current year. The Investment Manager has determined that the Company has no uncertain tax positions as of June 30, 2024 that have a material effect on the results of operations or financial position of the Company.

### 8. Directors' Fees

Each of the Directors is entitled to receive from the Company a fee at such a rate as may be set from time to time by the Board of Directors, provided such remuneration shall not exceed an aggregate amount of USD 30,000 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 Company. 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, 2024, Ms. Julie E. McLean received an annual fee of USD 6,000. Ms. Robin Masters received an annual fee of USD 6,000.

### 9. Related Parties and Directors' Interests

As at June 30, 2024, Directors held the following shares in the Alternative Fund:

<u>Director</u>	<u>Number of Shares</u>
Faith Outerbridge (HBBM Pension)	1,048

HSBC Global Asset Management (Bermuda) Limited, which is the Investment Manager, a related party to the Company, held 1 share each of Class AD and CC in the Short Duration Fixed Income Fund.

HSBC Corporate Money Funds Limited is a related party to the Company by virtue of it being a wholly owned subsidiary of the Investment Manager of the Company.

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 10. Share Capital

The present authorized share capital of USD100,000 of the Company is divided into 9,999,900 voting participating shares ("Shares") of USD 0.01 par value each and 100 non-voting, non-participating founders' shares of USD 0.01 par value each. The Manager holds all founders' shares, \$nil paid. The founders' shares are not entitled to vote unless there are no other shares in issue, and are not entitled to any dividends. Participating shares may be subscribed for and redeemed on a daily basis for the Short Duration Fixed Income Fund and on a monthly basis for the Alternative Fund. The minimum initial subscription for Class AC and Class AD Shares in the Short Duration Fund is USD 100,000 and for Class CC Shares it is USD 10,000,000. The minimum initial subscription for Class AC Shares in the Alternative Fund is USD 10,000.

	Short Duration Fixed Income Fund		
	Class AC	Class AD	Class CC
Shares in issue July 1, 2023	293,810	178,228	378,306
Shares issued during the year	2,400	-	-
Shares redeemed during the year	(86)	-	(23,471)
Shares in issue June 30, 2024	296,124	178,228	354,835

	Alternative Fund	
	Class AC	Class LC*
Shares in issue July 1, 2023	88,586	8,193
Shares issued during the year	4,070	263
Shares redeemed during the year	(5,207)	(244)
Shares in issue June 30, 2024	87,449	8,212

\*Class LC Shares in the Alternative Fund is closed for new investments effective from July 30, 2019.

### 11. Cost of Investments

Cost of investments as at June 30, 2024	USD
Short Duration Fixed Income Fund	92,399,618
Alternative Fund	21,546,182

### 12. Financial Instruments and Associated Risks

#### Price Risk

Price risk arises primarily from uncertainty around the future prices of financial instruments held by the Company and represents the loss the Company might incur through holding such instruments in the face of price movements. The Manager allocates the Company'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 Company less valuable. Substantially all the investments of each Fund are denominated in USD thus minimizing currency risk.

#### Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the fair value of the Company's financial instruments may fluctuate with movements in interest rates. The Short Duration Fixed Income Fund manages interest rate risk by investing in short duration debt instruments and floating rate notes. The Company may also use forward contracts for hedging purposes and as independent profit opportunities and invest in other investment companies exposed to significant interest rate risk. The Alternative Fund's exposure to interest rate risk through its investment in investee funds is limited to its investment in such funds.

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

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

#### Liquidity Risk

The Company 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 Short Duration Fixed Income Fund manages liquidity risk by investing mainly in debt securities that can be sold daily. The Alternative Fund invests in other investee funds that are not publicly traded or for which there is no liquid market. The Alternative Fund manages liquidity risk by investing in investee funds that have similar redemption periods as is required by the Alternative Fund itself.

#### Credit Risk

Credit risk is the risk that a counterparty will fail to discharge its obligation or commitment related to financial instruments it has issued. Financial assets that potentially expose the Company to credit risk consist primarily of cash and cash equivalents, investments, receivable from investments sold and interest receivable. The extent of the Company'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.

#### Situation in Ukraine

Management acknowledges the situation in Ukraine continues to affect global economics, particularly regarding food and energy supplies. We continue to monitor the developments closely and have no direct allocation to either the Ukraine or Russia, however, there remains a high level of uncertainty regarding the effects of the conflict on global markets overall and as such on the Company .

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 13. Investments in Other Investment Funds

The investments in other investment funds (the "investee funds") are valued at their fair value. The fair value represents the amount the Alternative Fund would have received at June 30, 2024, if it had liquidated its investments. The Alternative Fund has the ability to liquidate its investments periodically depending on the provisions of the respective investee fund's offering documents.

The investment funds in which the Alternative 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, forward, and swap contracts. Several of these financial instruments contain varying degrees of off-balance sheet risk whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on each investee funds balance sheet. However, due to the nature of the Company's interests in the investee funds, such risks are limited to the Alternative Fund's investment in each investee fund.

As of June 30, 2024, the Alternative Class has an investment in GH Fund Class AP (the "investee fund") of the HSBC Portfolio Selection Fund, a related party fund managed by HSBC Management (Guernsey) Limited and advised by HSBC Alternative Investments Limited, representing 99.68% of its net assets. The objective of the investee fund is to provide a total return from selective investment in a number of hedge funds, which utilize and trade in a range of different strategies and markets worldwide.

The following table summarizes the proportionate share of investments of HSBC GH Fund of which the proportionate share is greater than 5% of the Alternative Fund's net assets. The below information is based on the position and holding in the underlying funds as at April 30, 2024 compared to Alternative Fund's net assets as at June 30, 2024:

Description	Investment Strategy	Value USD	% of Alternative Fund's Net Assets
D.E. Shaw Oculus International Fund	Multi-Strategy	2,837,524	8.39%
MW Eureka Fund Plc	Equity Long/Short	2,507,030	7.41%
Elliot International Limited	Event Driven	2,304,796	6.81%
Citadel Kensington Global Strategies Fund Limited	Multi-Strategy	1,876,059	5.55%

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 13. Investments in Other Investment Funds (continued)

Summarized financial information pertaining to the relevant HSBC GH sub-fund based on its April 30, 2024 audited financial statements is as follows:

	As at 30 April 2024 USD'000
<b>Current assets</b>	
Cash and cash equivalents	27,259
Portfolio of investments	2,123,998
Debtors	26,774
<b>Total assets</b>	<b>2,178,031</b>
<b>Liabilities</b>	
Creditors: amounts falling due within one year	35,496
<b>Total liabilities</b>	<b>35,496</b>
<b>Net assets</b>	<b>2,142,535</b>
<b>Income</b>	
Net capital gains	227,590
Revenue	249
Interest expense	(1,432)
Operating expense	(17,946)
<b>Net investment (expense) from operations</b>	<b>(19,129)</b>
<b>Change in net assets attributable to holders of redeemable participating units from investment activities</b>	<b>208,461</b>

The Company and HSBC GH Fund are related parties by virtue of having managers that are under common control. Investors should refer to HSBC GH Fund's audited financial statements and prospectus for more detailed information.

### 14. Dividends

The declaration of dividends is at the discretion of the Directors. It is the present intention of the Directors of the Company to declare quarterly dividends with respect to Class AD shares of the Short Duration Fixed Income Fund, the amount of which may fluctuate depending on market conditions. It is the policy of the Directors to distribute the net income from the underlying investments of the Class AD shares of the Short Duration Fixed Income Fund. It is the intention of the Directors of the Company not to make distributions of net income to holders of the Class AC and Class CC shares of the Short Duration Fixed Income Fund and holders of the Class AC shares of the Alternative Fund.

The table below reflects the dividends declared during the year and dividends payable as at June 30, 2024.

<b>Short Duration Fixed Income Fund</b>	USD
Dividends declared - Class AD - USD	(677,213)
<b>Short Duration Fixed Income Fund</b>	USD
Dividends payable - Class AD - USD	(188,562)



# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 15. Management Fees

	Short Duration Fixed Income Fund USD	Alternative Fund USD
Class AC management fee	134,406	296,615
Class AD management fee	71,193	-
Class CC management fee	101,476	-
Class LC management fee	-	27,625
<b>Total management fee</b>	<b>307,075</b>	<b>324,240</b>
<b>Management fee payable</b>	<b>23,934</b>	<b>25,915</b>

### 16. Fair Value Measurements

The following table summarizes the valuation of the Company's investments by investment type by the fair value hierarchy levels as of June 30, 2024 with respect to the Short Duration Fixed Income Fund:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments, at fair value:				
Fixed Income Notes	\$ -	\$ 64,579,893	\$ -	\$ 64,579,893
Floating Rate Notes	-	11,164,241	-	11,164,241
Treasury Notes	-	16,176,944	-	16,176,944
<b>Total investments, at fair value</b>		<b>91,921,078</b>		<b>91,921,078</b>
Cash equivalents	2,089,854	-	-	2,089,854
<b>Total</b>	<b>\$ 2,089,854</b>	<b>\$ 91,921,078</b>	<b>\$ -</b>	<b>\$ 94,010,932</b>

In accordance with FASB ASC Sub-topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not required to be classified within the fair value hierarchy. As the Alternative Fund's investments as at June 30, 2024 comprised solely of investments in other investment companies are valued using the net asset value per share (or its equivalent) practical expedient, Alternative Fund's Investments with a fair value of USD33,721,947. Cash equivalents of money market fund are classified as level 1.

The Company'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 during the year ended June 30, 2024.

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 17. Financial Highlights

#### Schedule of Financial Highlights for Short Duration Fixed Income Fund for the year ended June 30, 2024

	USD		
	Class AC	Class AD	Class CC
<b>Selected per share data</b>			
Net asset value at beginning of the year	111.50	99.08	109.79
<b>Income from investment operations</b>			
Net investment income	4.55	3.99	4.66
Net realized gain on sale of investments and net change in unrealized gain on investments	<u>1.03</u>	<u>0.91</u>	<u>1.01</u>
Total from investment operations	<u>5.58</u>	<u>4.90</u>	<u>5.67</u>
Dividends declared	-	(3.80)	-
Net asset value at end of the year	<u>117.08</u>	<u>100.18</u>	<u>115.46</u>
Total return, excluding dividends declared	5.00 %	4.95 %	5.16 %
<b>Ratios to average net assets</b>			
Total expenses	0.50 %	0.50 %	0.35 %
Net investment income	4.00 %	3.99 %	4.14 %

#### Schedule of Financial Highlights for Alternative Fund for the year ended June 30, 2024

	USD	
	Class AC	Class LC
<b>Selected per share data</b>		
Net asset value at beginning of the year	322.05	322.05
<b>Income from investment operations</b>		
Net investment loss	(3.60)	(3.60)
Net realized gains on sale of investments and net change in unrealized gains on investments	<u>35.21</u>	<u>35.21</u>
Total from investment operations	<u>31.61</u>	<u>31.61</u>
Net asset value at end of the year	<u>353.66</u>	<u>353.66</u>
Total return	9.82 %	9.82 %
<b>Ratios to average net assets</b>		
Total expenses	1.07 %	1.07 %
Net investment loss	(1.07) %	(1.07) %

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

# HSBC Specialist Funds Limited

## Notes to the Financial Statements (Continued)

for the year ended June 30, 2024

### 18. Commitments and Contingencies

In the normal course of operations, the Company enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of loss to be remote.

### 19. Subsequent Events

Subsequent to June 30, 2024, Short Duration Fixed Income Fund had subscriptions of USD 725,000 and redemptions of USD 860,021.

Subsequent to June 30, 2024, Alternative Fund had subscriptions of USD 302,498 and redemptions of USD 222,102.

Management have assessed and evaluated all subsequent events arising from the date of the statements of assets and liabilities up until October 16, 2024 and have concluded that no additional disclosures are required.

# HSBC Specialist Funds Limited Management and Administration

for the year ended June 30, 2024

## Directors and Officers

Barry Harbison, President  
Head of Liquidity Investment Specialists, Americas  
HSBC Global Asset Management  
USA

Robin Masters, Non-Executive Director

Julie E. McLean, Non-Executive Director

Faith A. Outerbridge, Vice President  
Head of Global Asset Management  
HSBC Bank Bermuda Limited

Anthony T. Riker, Director  
Vice President  
of HSBC Bank Bermuda Limited

## Secretary and Registered Office

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

## Manager

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

## Custodian

HSBC Continental Europe  
1 Grand Canal Square  
Dublin 02 P820, Ireland

## Banker

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

## Administrator and Registrar

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

## Independent Auditor

KPMG Audit Limited  
Crown House  
4 Par-la-Ville Road  
Hamilton HM 08, Bermuda

## Legal Advisers

Conyers Dill & Pearman Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

## Bermuda Stock Exchange Listing Sponsor

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