

HSBC Specialist Funds Limited

Annual Report June 2022

HSBC Specialist Funds Limited

Contents

Manager's Report	1
Independent Auditor's Report	2
Statements	
Statements of Assets and Liabilities	4
Statements of Net Assets	5
Statements of Operations	11
Statements of Changes in Net Assets	12
Notes to the Financial Statements	13
Management and Administration	25

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 4, 2022 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, 2022

Short Duration Fixed Income Fund

Market Review

The third quarter of 2021 started with a return of volatility in fixed income markets as Treasury yields moved lower, corporate credit spreads widened out over the month on the back of mixed economic data and uncertainty around the impact of the increasing spread in the Delta variant. August saw some credit market weakness early in the month due to heavy August supply and macro volatility but reversed course and strengthened through the second half and into the first half of September but widened out later in the month as uncertainty around Fed policy, the continued pace of economic growth and concerns around weakness in the property sector in China weighed on investor sentiment.

Despite the continued rally in equity markets credit faced headwinds at the beginning of Q4 in the form of, rate volatility, a flattening yield curve and weaker technical as a result of continued strong supply and weaker demand. Inflation fears grew as a pick-up in growth and increasing headlines on costs and supply chain disruptions saw the market price in a more hawkish Fed. Credit markets faced headwinds in November from macro pressures such as uncertainty about inflation and a more hawkish Fed tone as well as weakening technical resulting from continued strong supply and decreased demand. Combined with the emergence of the Omicron variant credit spreads finished the month wider across the board. December saw a strong finish to 2021 with spreads tightening across ratings segments and regions thanks to a rally in risk assets. This was driven by encouraging data which showed that despite the spread of the new Omicron variant, hospitalizations have remained well below the peak levels of 2021. In addition, the more hawkish shift in the Fed's tone was largely in line with market expectations which dampened rates driven volatility.

The first quarter of 2022 saw a pick-up in volatility with investor concerns mainly driven by the geopolitical situation between Ukraine and Russia as well as more a more hawkish tone from Central Banks. Spreads were weak for most of the quarter reaching a peak with global IG and HY having moved 53 and 126bps wider by March 15 before staging a recovery rally to finish the quarter just 25 and 39 bps wider respectively. Combined with rates volatility which saw a significant increase in front end yields both global IG and HY credit experienced negative total return over the quarter.

Corporate credit was under pressure in Q2 from inflationary pressures, Central Bank hawkishness, rate volatility, growth concerns and increasing fears of a recession. As a result, total returns came in negative again for both Investment Grade and High Yield in Q2, capping off one of the most challenging semiannual performance periods on record.

The US Treasury curve flattened with short end yields rising significantly over the period. The 2, 5 and 10 year saw yields move 2.70%, 2.15% and 1.54% to finish June at 2.95%, 3.04% and 3.01% respectively. The US Fed Funds effective rate rose to 1.58% following the 3 rate hikes through June while 1-3 year corporate credit weakened, especially in the second quarter of 2022 with spreads moving 65 bps wider over the period to finish at 104.

Performance and positioning

The fund provided positive absolute return over the period, outperforming its benchmark on a gross basis. Relative outperformance was driven mainly by the portfolio's underweight to duration which given the significant move higher in rates was a strong contributor to portfolio relative returns. The portfolio also benefited from the allocation to corporate bonds which despite a drag from spread widening provided attractive income over the period.

The portfolio remains overweight to corporate bonds vs 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 AA and A and an underweight to AAA rated bonds. The duration of the portfolio remains underweight the benchmark by 0.2 years at 1.60 on an options adjusted basis with an overweight to the 0-1 year segment and an underweight to the 1-3 year segment.

Outlook

The reverse in risk sentiment in July was in large part driven by the perception of a less hawkish Fed and a potential pivot away from inflation towards growth concerns as data pointed to a larger likelihood of a recession in the US and an almost certain recession in Europe. In fact, markets are now pricing in the potential of rate cuts in 2023. While we believe a recession in the US is now more than likely, we think it may be more difficult for the Fed to cut rates than the market is anticipating, especially if inflation remains elevated. Company earnings have been solid and credit fundamentals are still largely intact. Although markets have been buoyed by the recent rally, given the economic slowdown and threat of a recession we believe that spreads are more likely to test wider levels than move meaningfully tighter so despite still attractive valuations we remain cautious.

HSBC Global Asset Management (Bermuda) Limited – September, 2022

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 and Shareholders 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 statements of assets and liabilities, including the statements of net assets, as of June 30, 2022, 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, 2022, 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 basic 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 basic 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 4, 2022

HSBC Specialist Funds Limited

Statements of Assets and Liabilities

as at June 30, 2022

	Short Duration Fixed Income Fund USD	Alternative Fund USD
Assets		
Investments at fair value (notes 11, 12, 13 & 16)	93,868,277	31,618,950
Cash and cash equivalents (notes 3 & 16)	116,167	238,726
Receivable for investments sold	-	450,000
Interest receivable	479,435	-
Prepaid expenses	25,129	5,008
	94,489,008	32,312,684
Liabilities		
Redemption payable	-	452,021
Management fee payable (notes 4 & 15)	25,444	26,534
Dividends payable (note 14)	24,493	-
Subscriptions received in advance	-	18,652
Accounts payable and accrued expenses	28,370	10,822
	78,307	508,029
Net assets	94,410,701	31,804,655
Net assets attributable to:		
Class AC Shares	29,901,636	29,315,339
Class AD Shares	17,859,755	-
Class CC Shares	46,649,310	-
Class LC Shares	-	2,489,316
	94,410,701	31,804,655
Shares outstanding (note 10)		
Class AC Shares	270,272	93,885
Class AD Shares	178,228	-
Class CC Shares	428,852	-
Class LC Shares	-	7,972
Net asset value per share		
Class AC Shares	110.64	312.25
Class AD Shares	100.21	-
Class CC Shares	108.78	-
Class LC Shares	-	312.25


Director

The accompanying notes form an integral part of these Financial Statements


Director

HSBC Specialist Funds Limited

Statements of Net Assets

as at June 30, 2022

Short Duration Fixed Income Fund

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
Fixed Income Notes				
Australia				
CNOOC Curtis Funding 4.5% 10/03/2023	500,000	521,423	506,591	0.54
Commonwealth Bank of Australia 3.25% 07/20/2023	1,500,000	1,546,127	1,499,823	1.59
National Australia Bank Ltd 1.388% 1/12/2025	250,000	242,959	236,549	0.25
Westpac Banking Corp 2% 01/13/2023	250,000	251,994	248,811	0.26
Westpac Banking Corp 2% 16/01/2026	1,500,000	1,552,304	1,450,750	1.54
	4,000,000	4,114,807	3,942,524	4.18
Canada				
Federation des Caisses Desjardin 0.45% 07/10/2023	1,700,000	1,699,703	1,639,403	1.74
Harvest Operations Corp 1% 04/26/2024	1,280,000	1,280,039	1,220,798	1.29
Harvest Operations Corp 4.2% 06/01/2023	200,000	206,509	201,523	0.21
Toronto Dominion Bank 0.45% 11/09/2023	1,000,000	1,000,442	967,592	1.02
Toronto Dominion Bank 2.35% 03/08/2024	1,000,000	999,261	979,007	1.04
Total Capital Canada 2.75% 07/15/2023	500,000	512,551	496,743	0.53
	5,680,000	5,698,505	5,505,066	5.83
China				
Alibaba Group Holding Ltd 2.8% 06/06/2023	517,000	527,382	513,663	0.55
Baidu Inc 3.5% 11/28/2022	500,000	505,234	501,177	0.53
Baidu Inc 3.875% 09/29/2023	750,000	776,777	752,430	0.80
CK Hutchison International 17 II 2.75% 03/29/2023	250,000	253,578	249,187	0.26
Tencent Holdings Ltd 2.985% 01/19/2023	999,000	1,009,538	997,239	1.06
Tencent Holdings Ltd 3.28% 04/11/2024	875,000	909,446	867,959	0.92
	3,891,000	3,981,955	3,881,655	4.12
Finland				
Nordea Bank Abp 3.6% 06/06/2025	1,000,000	999,904	991,891	1.05
	1,000,000	999,904	991,891	1.05
France				
Banque Federative du Cred Mutuel 3.75% 07/20/2023	250,000	258,040	250,286	0.27
Banque Federative du Credit Mutuel 0.65% 27/02/24	500,000	498,652	475,448	0.50
BNP Paribas SA 3.25% 03/03/2023	1,000,000	1,014,450	1,001,761	1.06
BPCE SA 2.75% 01/11/2023	1,500,000	1,516,130	1,495,689	1.58
BPCE SA 4% 04/15/2024	250,000	264,573	249,404	0.26
Caisse d'Amortissement de la Det 1.125% 11/29/2024	2,000,000	1,999,575	1,908,956	2.02
Credit Agricole London 3.875% 04/15/2024	1,500,000	1,579,220	1,495,460	1.58
Credit Agricole SA London 2.375% 01/22/2025	250,000	247,669	239,789	0.25
Societe Generale SA 4.351% 06/13/2025	1,000,000	1,000,000	999,126	1.06

The accompanying notes form an integral part of these Financial Statements

HSBC Specialist Funds Limited

Statements of Net Assets (Continued)

as at June 30, 2022

Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
Fixed Income Notes (continued)				
France (continued)				
Total Capital International SA 2.7% 01/25/2023	500,000	500,494	499,604	0.53
Total Capital Intl SA 3.75% 04/10/2024	500,000	527,807	501,111	0.53
	9,250,000	9,406,610	9,116,634	9.64
Germany				
Kreditanstalt fuer Wiederaufbau 0.25% 08/03/2024	1,000,000	998,534	954,078	1.01
	1,000,000	998,534	954,078	1.01
Japan				
NTT Finance Corp 0.583% 01/03/2024	500,000	500,117	476,048	0.50
Sumitomo Mitsui Financial Group 2.696% 07/16/2024	1,000,000	1,037,707	972,979	1.03
	1,500,000	1,537,824	1,449,027	1.53
Netherlands				
Cooperatieve Rabobank UANY 0.375% 12/01/2024	750,000	747,786	713,485	0.76
Rabobank Nederland NY 3.375% 05/21/2025	250,000	249,081	245,830	0.26
SABIC Capital II BV 4% 10/10/2023	500,000	519,150	501,378	0.53
Shell International Finance BV 0.375% 09/15/2023	500,000	499,506	484,270	0.51
Shell International Finance BV 3.5% 11/13/2023	250,000	259,841	251,383	0.27
Siemens Financieringsmaatschappi 0.65% 11/03/2024	475,000	474,935	454,680	0.48
	2,725,000	2,750,299	2,651,026	2.81
Norway				
Equinor ASA 2.45% 01/17/2023	1,500,000	1,506,102	1,499,081	1.59
Equinor ASA 2.65% 01/15/2024	350,000	361,075	346,137	0.37
Equinor ASA 3.7% 03/01/2024	400,000	408,920	402,276	0.43
	2,250,000	2,276,097	2,247,494	2.39
Saudi Arabia				
Saudi Arabian Oil Co 1.25% 24/11/2023	500,000	503,697	483,970	0.51
Saudi Arabian Oil Co 2.875% 04/16/2024	250,000	258,755	245,614	0.26
	750,000	762,452	729,584	0.77
South Korea				
Export-Import Bank of Korea 0.625% 06/29/2024	1,500,000	1,502,025	1,422,450	1.51
Korea EastWest Power Co Ltd 1.75% 05/06/2025	750,000	769,504	708,643	0.75
Korea EastWest Power Co Ltd 3.875% 07/19/2023	1,020,000	1,056,375	1,027,053	1.09
Korea Gas Corp 2.75% 07/20/2022	500,000	500,658	499,920	0.53
Korea Gas Corp 3.875% 02/12/2024	500,000	526,844	503,923	0.53
Shinhan Bank Co Ltd 3.875% 11/05/2023	500,000	521,752	504,075	0.54
	4,770,000	4,877,158	4,666,064	4.95

The accompanying notes form an integral part of these Financial Statements

HSBC Specialist Funds Limited

Statements of Net Assets (Continued)

as at June 30, 2022

Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
Fixed Income Notes (continued)				
Sweden				
Nordea Bank AB 0.625% 24/05/2024	835,000	834,568	786,882	0.83
Skandinaviska Enskilda Banken AB 0.55% 01/09/2023	1,250,000	1,251,964	1,208,400	1.28
Skandinaviska Enskilda Banken AB 0.65% 09/09/2024	875,000	874,238	816,759	0.87
Svenska Handelsbanken AB 0.625% 06/30/2023	1,500,000	1,498,242	1,458,183	1.54
Svenska Handelsbanken AB 3.9% 11/20/2023	250,000	256,335	251,224	0.27
Swedbank AB 0.6% 25/09/2023	1,500,000	1,502,513	1,446,989	1.53
Swedbank AB 0.85% 03/18/2024	500,000	501,234	475,484	0.50
	6,710,000	6,719,094	6,443,921	6.82
Switzerland				
Credit Suisse AG New York 1% 05/05/2023	1,535,000	1,540,272	1,502,993	1.59
Credit Suisse AG New York NY 3.7% 02/21/2025	1,000,000	998,815	975,805	1.04
UBS AG London 0.375% 06/01/2023	620,000	619,694	600,353	0.64
UBS AG London 0.45% 02/09/2024	1,000,000	996,497	949,286	1.01
UBS AGLondon 0.7% 08/09/2024	1,000,000	999,208	937,517	0.99
	5,155,000	5,154,486	4,965,954	5.27
United Arab Emirates				
Abu Dhabi National Energy Co PJ 3.875% 05/06/2024	1,000,000	1,055,374	1,004,250	1.06
	1,000,000	1,055,374	1,004,250	1.06
United Kingdom				
Nationwide Building Society 0.55% 22/01/2024	1,200,000	1,197,377	1,141,360	1.21
Nationwide Building Society 2% 01/27/2023	1,100,000	1,099,251	1,091,585	1.16
Reckitt Benckiser Treasury Services 2.75% 06/26/24	466,000	461,263	456,802	0.48
Santander UK PLC 1.625% 02/12/2023	500,000	504,020	496,745	0.53
Santander UK PLC 2.875% 06/18/2024	500,000	517,687	488,643	0.52
Santander Uk Plc 4% 13/03/2024	500,000	527,623	502,290	0.53
	4,266,000	4,307,221	4,177,425	4.43
United States of America				
Amazoncom Inc 0.45% 12/05/2024	1,000,000	999,088	951,854	1.01
Amazoncom Inc 3% 04/13/2025	1,665,000	1,662,487	1,652,296	1.75
American Honda Finance Corp 0.875% 07/07/2023	500,000	493,723	488,260	0.52
BA Credit Card Trust 0.44% 15/09/2026	250,000	249,997	237,695	0.25
Bank of New York Mellon Corp 2.2% 08/16/2023	500,000	509,755	493,239	0.52
BMW US Capital LLC 3.45% 04/12/2023	1,480,000	1,513,343	1,481,266	1.57
BMW Vehicle Owner Trust 0.48% 25/10/2024	500,000	274,796	271,100	0.29
BP Capital Markets America Inc 2.75% 05/10/2023	250,000	254,839	249,619	0.26
Cargill Inc 1.375% 23/07/2023	500,000	505,420	490,397	0.52

The accompanying notes form an integral part of these Financial Statements

HSBC Specialist Funds Limited

Statements of Net Assets (Continued)

as at June 30, 2022

Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
Fixed Income Notes (continued)				
United States of America (continued)				
CarMax Auto Owner Trust 2021-2 0.52% 17/02/2026	500,000	499,919	485,682	0.51
CCG Receivables Trust 2021-1 0.3% 14/06/2027	1,750,000	994,920	968,801	1.03
CCG Receivables Trust 2022-1 3.91% 07/16/2029	1,500,000	1,499,976	1,493,781	1.58
Chevron Phillips 3.3% 05/01/2023	1,000,000	1,023,182	998,318	1.06
Daimler Finance North America LLC 1.75% 03/10/2023	250,000	251,645	247,120	0.26
Equitable Financial Life Global F 0.8% 08/12/2024	500,000	472,412	467,417	0.50
GM Financial Consumer Automobile 0.51% 16/04/2026	300,000	299,980	290,394	0.31
Metropolitan Life Global Funding 0.9% 06/08/2023	685,000	686,691	670,772	0.71
Metropolitan Life Global Funding 3% 01/10/2023	1,000,000	1,006,451	999,683	1.06
Navient Private Education Refi 1.06% 15/10/2069	1,000,000	706,224	651,958	0.69
Navient Private Education Refi 2.23% 07/15/2070	1,500,000	1,429,026	1,333,550	1.41
Navient Private Education Refi LN 1.11% 02/18/2070	1,000,000	850,168	746,392	0.79
Nestle Holdings Inc 0.375% 15/01/2024	250,000	249,537	239,605	0.25
Nestle Holdings Inc 3.35% 09/24/2023	1,500,000	1,553,012	1,504,516	1.59
Nissan Auto Receivables 2021-A 0.33% 15/10/2025	1,850,000	1,849,976	1,774,580	1.88
PACCAR Financial Corp 0.35% 11/08/2023	500,000	499,871	484,336	0.51
PACCAR Financial Corp 2.85% 04/07/2025	2,000,000	1,999,468	1,964,037	2.08
Pricoa Global Funding I 2.4% 09/23/2024	500,000	517,154	484,209	0.51
Pricoa Global Funding I 3.45% 09/01/2023	250,000	258,483	250,192	0.27
Principal Life Global Funding II 0.75% 04/12/2024	410,000	409,651	388,310	0.41
Principal Life Global Funding II 0.75% 08/23/2024	500,000	499,490	467,904	0.50
Roche Holdings Inc 0.45% 05/03/2024	375,000	375,000	357,887	0.38
Roche Holdings Inc 3.25% 09/17/2023	350,000	361,766	350,356	0.37
SMB Private Education Loan Trust 1.31% 17/07/2051	1,835,000	1,354,614	1,258,858	1.33
Toyota Auto Receivables Owner T 0.35% 15/01/2025	1,000,000	815,777	803,802	0.85
Toyota Motor Credit Corp 0.5% 14/08/2023	250,000	250,173	242,868	0.26
Toyota Motor Credit Corp 1.8% 02/13/2025	250,000	245,730	238,403	0.25
Unilever Capital Corp 0.375% 14/09/2023	500,000	500,217	481,677	0.51
World Omni Auto Receivables Trust 0.3% 15/01/2026	1,000,000	999,951	973,129	1.03
	30,950,000	28,923,912	27,934,263	29.58
		83,564,232	80,660,856	85.44

The accompanying notes form an integral part of these Financial Statements

HSBC Specialist Funds Limited

Statements of Net Assets (Continued)

as at June 30, 2022

Short Duration Fixed Income Fund (continued)

	Nominal Value	Amortized Cost USD	Fair Value USD	% of Net Assets
Floating Rate Notes				
Australia				
Westpac Banking Corp FRN 02/26/2024	250,000	251,997	251,269	0.27
	250,000	251,997	251,269	0.27
United States of America				
Citibank Credit Card Issuance Trust FRN 06/07/2025	1,235,000	1,234,773	1,236,070	1.31
New York Life Global Funding FRN 06/09/2026	250,000	249,120	243,830	0.26
	1,485,000	1,483,893	1,479,900	1.57
		1,735,890	1,731,169	1.84
Treasury Notes				
United States of America				
United States Treasury Note 0.625% 10/15/2024	1,000,000	1,000,390	948,398	1.00
United States Treasury Note 2.5% 04/30/2024	375,000	373,412	372,092	0.40
United States Treasury Note 2.625% 03/31/2025	7,500,000	7,458,121	7,432,617	7.87
United States Treasury Note 2.625% 04/15/2025	2,750,000	2,732,476	2,723,145	2.89
	11,625,000	11,564,399	11,476,252	12.16
		11,564,399	11,476,252	12.16
Total investments		96,864,521	93,868,277	99.43
Other net assets			542,424	0.57
Net assets			94,410,701	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, 2022

Alternative Fund	Liquidity Period	Holdings In Shares	Purchase Price USD	Fair Value USD	% of Net Assets
Investment in investee fund:					
Guernsey					
Multi-Strategy					
HSBC Portfolio Selection Fund Acc*	Monthly	120,660	22,626,185	31,618,950	99.42
Total investments				31,618,950	99.42
Other net liabilities				185,705	0.58
Net assets				31,804,655	100.00

*** Limits on Redemptions**

The Manager may limit the number of units in the fund 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 fund 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.

HSBC Specialist Funds Limited
Statements of Operations
for the year ended June 30, 2022

	Short Duration Fixed Income Fund USD	Alternative Fund USD
Income		
Interest income	870,119	-
Other income	295	-
	870,414	-
Expenses		
Management fee (notes 4 & 15)	318,515	326,454
Audit fees	24,969	8,401
Directors' fees (note 8)	8,875	2,904
Other expenses	56,531	9,335
	408,890	347,094
Net investment income/(loss)	461,524	(347,094)
Net realized (losses)/gains on sale of investments	(214,422)	645,978
Net change in unrealized losses on investments	(3,417,333)	(192,947)
	(3,631,755)	453,031
Net (decrease)/increase in net assets resulting from operations	(3,170,231)	105,937

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, 2022

Short Duration Fixed Income Fund	Class AC USD	Class AD USD	Class CC USD	Total
Net assets at start of the year	33,093,588	18,539,532	48,166,502	99,799,622
Net decrease in net assets from operations				
Net investment income	126,570	73,132	261,822	461,524
Net realized losses on sale of investments	(68,717)	(40,346)	(105,359)	(214,422)
Net change in unrealized losses on investments	(1,101,133)	(642,545)	(1,673,655)	(3,417,333)
	(1,043,280)	(609,759)	(1,517,192)	(3,170,231)
Subscriptions and redemptions				
Proceeds on issue of shares	295,412	-	-	295,412
Payments on redemption of shares	(2,444,084)	-	-	(2,444,084)
	(2,148,672)	-	-	(2,148,672)
Dividends (note 14)	-	(70,018)	-	(70,018)
Net assets at end of the year	29,901,636	17,859,755	46,649,310	94,410,701
Alternative Fund				
		Class AC USD	Class LC USD	Total
Net assets at start of the year		29,696,247	2,527,335	32,223,582
Net increase in net assets from operations				
Net investment loss		(319,804)	(27,290)	(347,094)
Net realized gains on sale of investments		595,570	50,408	645,978
Net change in unrealized losses on investments		(178,435)	(14,512)	(192,947)
		97,331	8,606	105,937
Subscriptions and redemptions				
Proceeds on issue of shares		1,490,447	106,135	1,596,582
Payments on redemption of shares		(1,968,686)	(152,760)	(2,121,446)
		(478,239)	(46,625)	(524,864)
Net assets at end of the year		29,315,339	2,489,316	31,804,655

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, 2022

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, 2022, 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, 2022 (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

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.

HSBC Specialist Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2022

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
- 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.
- Investments in investee funds are valued based on reported net asset value per share as provided by the administrators of the investee funds. Private investment companies measured using net asset value as a practical expedient are not categorized within the fair value hierarchy.

(c) Cash and cash equivalents

Cash and cash equivalents include cash balances, money market funds, and short-term fixed deposits with maturity dates of less than 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.

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, 2022

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)/gains on sale of investments" and "net change in unrealized losses 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) Mandatory redeemable financial instruments

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 Fund at year-end, are included in redemptions payable at June 30, 2022. 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

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This ASU requires the allowance for credit losses to reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted this amendment and the measurement and classification requirements did not have a significant impact on the Company's financial statements.

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, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship.

HSBC Specialist Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2022

3. Cash and Cash Equivalents

Cash balances 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	4,688	238,726
Money market fund	111,479	-
	116,167	238,726

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, 2022, the Manager has invested certain of the Fund's assets in various other HSBC Funds. The Manager received additional management fees on the assets directly from those funds in accordance with the respective management agreements.

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 Funds. 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, 2022

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

At the present time, no income, corporation, profit, withholding or capital gains taxes are levied in Bermuda and, accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has 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.

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 Trust has no uncertain tax positions as of June 30, 2022 that have a material effect on the results of operations or financial position of the Trust.

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, 2022, Ms. Julie E. McLean received an annual fee of USD 6,000, Ms. Robin Masters received a directors' fees of USD 6,000.

9. Related Parties and Directors' Interests

As at June 30, 2022, Directors held the following shares in the Alternative Fund:

<u>Director</u>	<u>Number of Shares</u>
Faith Outerbridge (HBBM Pension)	977.46

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 Investment Manager of the Company.

HSBC Specialist Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2022

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, 2021	289,267	178,228	428,852
Shares issued during the year	2,583	-	-
Shares redeemed during the year	(21,578)	-	-
Shares in issue June 30, 2022	270,272	178,228	428,852

	Alternative Fund	
	Class AC	Class LC*
Shares in issue July 1, 2021	95,399	8,119
Shares issued during the year	4,761	338
Shares redeemed during the year	(6,275)	(485)
Shares in issue June 30, 2022	93,885	7,972

*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, 2022	USD
Short Duration Fixed Income Fund	96,864,521
Alternative Fund	22,626,185

12. Financial Instruments and Associated Risks

Price Risk

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

Interest Rate Risk

The Funds are exposed to interest rate risk to the extent that the fair value of the Funds' 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 Funds 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, 2022

12. Financial Instruments and Associated Risks (Continued)

Liquidity Risk

The Funds are exposed to liquidity risk to the extent that they are unable to realize their 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 Funds to credit risk consist primarily of cash and cash equivalents, investments, receivable from investments sold and interest receivable. The extent of the Funds' 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.

COVID-19 Risk

Since January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. Management have considered the general impact resulting from COVID-19 on the Funds and have ongoing engagement with its delegates. The delegates have invoked their Business Continuity Plans (BCPs) which are operating effectively allowing the Funds to continue to service its client base. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Funds' performance. Given the current degree of market volatility it is not appropriate or practical to quantify the impact to the Funds' portfolios. Management continue to closely monitor market conditions taking into account any changes in liquidity or other market volatility and/or restrictions.

Situation in Ukraine

Management acknowledge the situation in Ukraine and its potentially adverse economic impact on the value, risk and liquidity of the instruments in which the Funds invest. This is an additional risk factor which could impact the operations and valuation of the Funds' assets. Management is actively monitoring developments closely. Given the nature of the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Funds, if any.

HSBC Specialist Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2022

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, 2022, 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 Fund's interests in the investee funds, such risks are limited to the Alternative Fund's investment in each investee fund.

As of June 30, 2022, 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 100.83% 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, 2022 compared to Alternative Fund's net assets as at June 30, 2022:

Description	Investment Strategy	Value USD	% of Alternative Fund's Net Assets
D.E. Shaw Oculus International Fund	Multi-Strategy	2,522,653	7.93%
MW Eureka Fund Plc	Equity Long/Short	2,063,734	6.49%
Elliot International Limited	Event Driven	1,968,730	6.19%
Citadel Kenningston Global Strategies Fund Limited	Multi-Strategy	1,602,080	5.04%

HSBC Specialist Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2022

13. Investments in Other Investment Funds (continued)

Summarized financial information pertaining to the relevant HSBC GH sub-fund based on its April 30, 2022 audited financial statements is as follows:

	As at 30 April 2022 USD'000
Current assets	
Cash and cash equivalents	367
Portfolio of investments	2,182,981
Debtors	33,083
Total assets	2,216,431
Liabilities	
Creditors: amounts falling due within one year	36,990
Loans payable	11,012
Total liabilities	48,002
Net assets	2,168,429
Income	
Net capital losses	(26,499)
Revenue	525
Interest expense	(42)
Operating expense	(20,258)
Net investment expense from operations	(19,775)
Change in net assets attributable to holders of redeemable participating units from investment activities	(46,274)

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, 2022.

Short Duration Fixed Income Fund	USD
Dividends declared - Class AD - USD	(70,018)
Short Duration Fixed Income Fund	USD
Dividends payable - Class AD - USD	(24,493)

HSBC Specialist Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2022

15. Management Fees

	Short Duration Fixed Income Fund USD	Alternative Fund USD
Class AC management fee	126,402	300,786
Class AD management fee	73,123	-
Class CC management fee	118,990	-
Class LC management fee	-	25,668
Total management fee	318,515	326,454
Management fee payable	25,444	26,534

16. Fair Value Measurements

The following table summarizes the valuation of the Fund's investments by investment type by the fair value hierarchy levels as of June 30, 2022 with respect to the Short Duration Fixed Income Fund:

	Level 1	Level 2	Level 3	Total
Assets				
Investments, at fair value:				
Fixed Income Notes	\$ -	\$ 80,660,856	\$ -	\$ 80,660,856
Floating Rate Notes	-	1,731,169	-	1,731,169
Treasury Notes	-	11,476,252	-	11,476,252
Total investments, at fair value	-	93,868,277	-	93,868,277
Cash equivalents	111,479	-	-	111,479
Total	\$ 111,479	\$ 93,868,277	\$ -	\$ 93,979,756

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, 2022 comprised solely of investments in other investment companies valued using the net asset value per share (or its equivalent) practical expedient, no fair value hierarchy has been disclosed. 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, 2022.

HSBC Specialist Funds Limited

Notes to the Financial Statements (Continued)

for the year ended June 30, 2022

17. Financial Highlights

Schedule of Financial Highlights for Short Duration Fixed Income Fund for the year ended June 30, 2022

	USD		
	Class AC	Class AD	Class CC
Selected per share data			
Net asset value at beginning of the year	114.40	104.02	112.31
Income from investment operations			
Net investment income	0.46	0.41	0.62
Net realized losses on sale of investments and net change in unrealized losses on investments	<u>(4.22)</u>	<u>(3.83)</u>	<u>(4.15)</u>
Total from investment operations	<u>(3.76)</u>	<u>(3.42)</u>	<u>(3.53)</u>
Dividends declared	-	(0.39)	-
Net asset value at end of the year	<u>110.64</u>	<u>100.21</u>	<u>108.78</u>
Total return, excluding dividends declared	(3.29) %	(3.29) %	(3.14) %
Ratios to average net assets			
Total expenses	0.49 %	0.49 %	0.34 %
Net investment income	0.40 %	0.40 %	0.55 %

Schedule of Financial Highlights for Alternative Fund for the year ended June 30, 2022

	USD	
	Class AC	Class LC
Selected per share data		
Net asset value at beginning of the year	311.28	311.28
Income from investment operations		
Net investment loss	(3.33)	(3.33)
Net realized gains on sale of investments and net change in unrealized gains on investments	<u>4.30</u>	<u>4.30</u>
Total from investment operations	<u>0.97</u>	<u>0.97</u>
Net asset value at end of the year	<u>312.25</u>	<u>312.25</u>
Total return	0.31 %	0.31 %
Ratios to average net assets		
Total expenses	1.06 %	1.06 %
Net investment loss	(1.06) %	(1.06) %

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, 2022

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 30 June 2022, Alternative Fund had subscriptions of USD 110,270 and redemptions of USD 706,226.

Subsequent to 30 June 2022, Short Duration Fixed Income Fund had subscriptions of USD Nil and redemptions of USD 29,822.

Management have assessed and evaluated all subsequent events arising from the date of the statements of assets and liabilities up until October 4, 2022 and have concluded that no additional disclosures are required.

HSBC Specialist Funds Limited Management and Administration

for the year ended June 30, 2022

Directors and Officers

Paul Dawe, President (resigned on May 26, 2022)
Chief Operating Officer
HSBC Global Asset Management
USA

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

Julie E. McLean, Director
Corporate Department of Conyers Dill
Pearman Limited in Bermuda

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

Robin Masters, Director
Non-Executive Director
Bermuda Monetary Authority

Barry Harbison, Director (appointed on May 26, 2022)
Head of Liquidity Investment Specialists, Americas
HSBC Global Asset Management
USA

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

Auditors

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

Legal Advisers

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

Bermuda Stock Exchange Listing Sponsor

Cohort Limited
5th Floor, Cedar House
41 Cedar Avenue
Hamilton HM 12, Bermuda

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