

# ▶ HSBC Investments

## HSBC Managed Portfolios

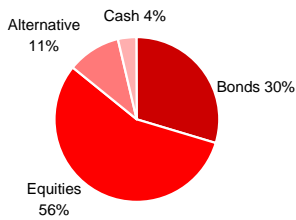
### Balanced USD Class A

as at 31 December 2007

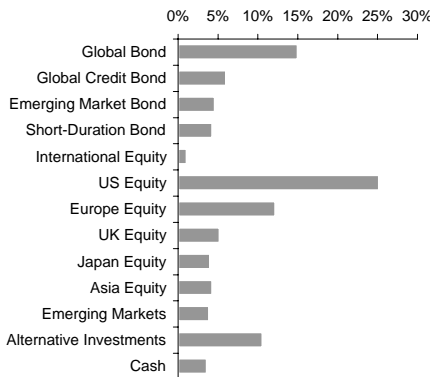
#### Profile

The principal objective of the HSBC Managed Portfolios is high total return over time consistent with an emphasis on capital growth and income while attempting to limit risk through investment in a diversified portfolio of mutual funds. The Balanced Portfolio is for investors seeking relatively stable returns and a lower level of income. Investors in this portfolio will have a higher risk tolerance and/or a longer time horizon than the Income & Growth Portfolio.

#### Portfolio Composition



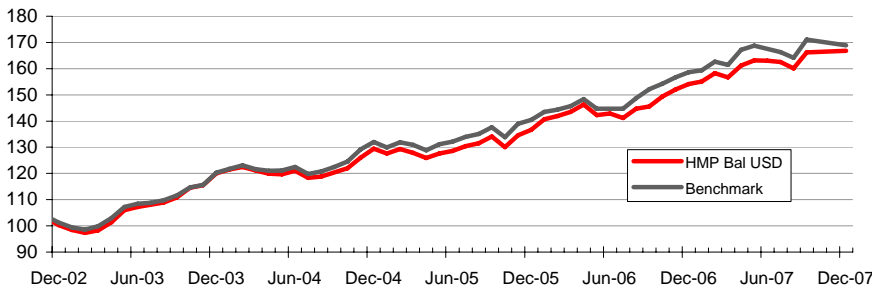
Sector Weightings	Weight
Bonds	29.8%
Equities	56.0%
Alternative	10.6%
Cash	3.6%



Asset Class Breakdown	Weight
Global Bond	15.0%
Global Credit Bond	6.0%
Emerging Market Bond	4.6%
Short-Duration Bond	4.3%
International Equity	1.1%
US Equity	25.2%
Europe Equity	12.2%
UK Equity	5.2%
Japan Equity	4.0%
Asia Equity	4.3%
Emerging Markets	3.9%
Alternative Investments	10.6%
Cash	3.6%

#### Performance Data\*

##### Performance since inception vs. benchmark



#### Fund Information

##### Structure

Open-ended balanced fund of funds, domiciled in Bermuda

##### Inception date

October 16, 2002

##### Price per share

Class AC: USD 163.73 (non-trading price)

Class AD: USD 162.25 (non-trading price)

##### Benchmark

Equities: 57% MSCI World USD

Bonds: 38% Lehman Global USD

Cash: 5% Cash Deposits

##### Total fund size

USD 109 million

##### Annual fees

2.15% Annual Expense Ratio (including underlying funds)

##### Dealing cut-off time

Weekly, Wednesdays at 12:00 noon (Bda. time)

##### Settlement

6 business days after Dealing day

##### Minimum / Subsequent investment

USD 10,000 / USD 5,000

##### Dividends (Class AD)

Semi-Annual, June and December

##### Current dividend (Class AD)

USD 0.65 per share, 30 December 2007

##### ISIN code

Class AC: BMG468AP1132

Class AD: BMG468AP1702

##### Bloomberg ticker

Class AC: ALLMNBH BH

Class AD: HSBBAAD BH

##### CUSIP code

Class AC: G468AP113

Class AD: G468AP170

Performance*	Balanced USD	Benchmark
1 quarter	0.33%	-1.25%
1 Year	8.25%	6.52%
3 Year	29.18%	27.97%
YTD	8.25%	6.52%
Since inception	66.77%	68.93%

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## Commentary

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Equities pulled back while government bonds outperformed all fixed income sectors.

- US Equities fell during Q4 amid weaker than expected earnings and concerns of how much the weakness in the housing market would slow the broader economy.
- A flight to government bonds sent yields to 3 year lows and causing spreads between high quality and lower quality bonds to widen.
- The Federal Reserve cut the benchmark rate by 50bps during the quarter and is expected to continue to cut rates through Q1 of 2008 to counter slowing growth.

The Managed Portfolios had strong performance for the quarter and all outperformed their respective benchmarks for the year.

- Leading the portfolios were strong gains in the HIS US equity funds with the US Core fund up 17.3% for the year. Additionally the Global Equity and Emerging Market funds were up 19.9% and 36.7% respectively. Within fixed income, global credit (5.7%) and short duration (5.9%) led the portfolios during the year.
- In equities we are neutral US and Europe, negative on Japan and the UK and positive on Asia and Emerging Markets. In bond markets we favour government bonds and high quality credit.

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*\* Performance Data Source: HSBC Investments (Bermuda) Ltd*

*\*\* Please note cash was higher than usual due to inflows late in the month; Average cash was 4% to 6%.*

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