

HSBC Absolute Return Service

Monthly Insight – Sterling – as at 31 October 2009

Investment profile

- ▶ Focused on the preservation of capital while offering the potential for capital gain
- ▶ Unbenchmark approach leads to conviction investing
- ▶ Not capital guaranteed

Investment team

- ▶ Charles Morris, Will Bartleet

Enquiries

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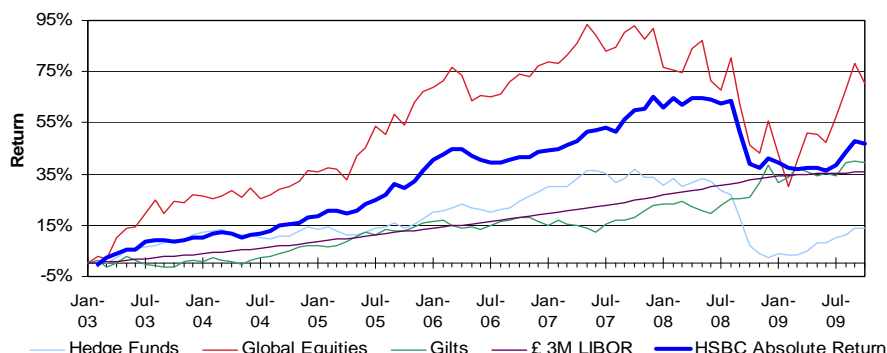
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Commentary

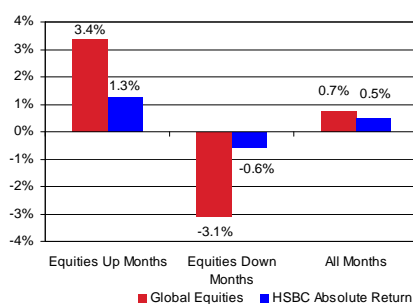
- ▶ **Purchases:** Agricultural commodities were purchased to benefit from the supply demand imbalance in grains and soft commodities. Merrill Lynch BlueTrend UCITS fund was purchased to benefit from strong trends in markets.
- ▶ **Sales:** US Treasury bonds were sold following their strong performance. Aviva Global Convertible Fund was sold following the strong recovery.
- ▶ **Outlook:** Equity markets are likely to continue to consolidate their gains following the sharp rise; government bonds are likely to remain range bound whilst gold looks set to make new highs.

Model performance since inception (5 February 2003)

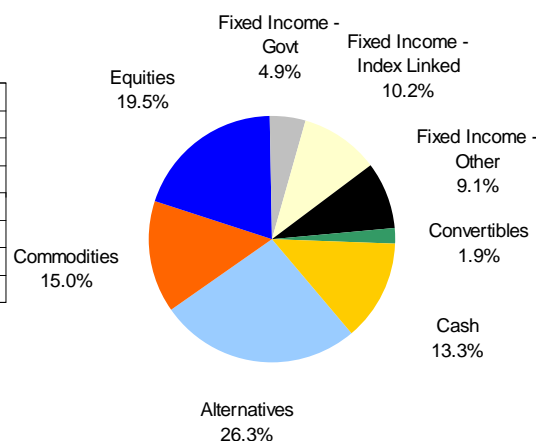


The above information relates to past performance and should not be seen as an indication of future returns

Average monthly returns since inception (5 February 2003)



Asset allocation breakdown (as at 31 October 2009)



Comparative performance since inception (5 February 2003)

	1 Month	3 Months	6 Months	YTD	12 Months	Since Inception	Annualised Return*	Annualised Volatility*	Sharpe Ratio*
Absolute £	-0.8%	5.8%	6.8%	4.1%	5.6%	46.8%	5.9%	6.6%	0.2
3-Month LIBOR £	0.0%	0.2%	0.6%	1.4%	2.4%	35.6%	4.6%	0.4%	-
Global equities £	-4.6%	8.1%	12.9%	9.4%	16.5%	70.3%	8.2%	14.5%	0.2
UK Gilts £	-0.3%	3.8%	2.8%	0.6%	10.9%	39.5%	5.1%	5.5%	0.1
Composite Hedge Fund Index	-0.1%	3.4%	8.4%	10.9%	6.2%	13.7%	1.9%	6.8%	-0.4

Libor – BBA £ Cash Indices LIBOR TR Global Equities – MSCI World, Index in £ TR UK Gilts – Bloomberg/EFF Govt Bond Index All > 1 yr TR Composite Hedge Fund Index – HFR Global Hedge Fund Index from 31/03/03 and S&P Hedge Fund Index (which has been discontinued by the provider) for any prior periods. Source: HSBC and Bloomberg. *Sharpe Ratio – the excess return over the risk free rate for each unit of risk taken. Annualised Volatility – a measure of the deviation of returns from the average, adjusted to show on an equivalent annual basis. Annualised Return – the return since inception, adjusted to show returns on an equivalent annual basis. The above performance is based upon a model portfolio. Individual client portfolios may differ from the model as they contain different holdings and this may lead to different performance returns. The information above relates to past performance and should not be taken as a guide to future returns. Where overseas investments are held, the rate of exchange may cause the value of investments to go down as well as up. All figures are gross of fees and charges and would be lower once deductions are made. The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in established markets. There are additional risks associated with commodities and specific alternative investments such as private equity and hedge funds within the portfolios; these investments may be less readily realisable than others and it may therefore be difficult to sell in a timely manner at a reasonable price or to obtain reliable information about their value; there may also be greater potential for significant price movements. This document is issued by HSBC Global Asset Management. HSBC Global Asset Management is a trading name of HSBC Global Asset Management (UK) Limited and HSBC Private Bank (UK) Limited. Both are registered in England at 8 Canada Square, London E14 5HQ and are authorised and regulated by the Financial Services Authority. Copyright © HSBC Global Asset Management 2009. All Rights Reserved. 17518 FP09-1292