

HSBC Global Asset Management (USA) Inc.

# HSBC Funds

Annual Report  
October 31, 2016

**EQUITY FUNDS**

HSBC Opportunity Fund

| <b>Class A</b> | <b>Class B</b> | <b>Class C</b> | <b>Class I</b> |
|----------------|----------------|----------------|----------------|
| HSOAX          | HOPBX          | HOPCX          | RESCX          |



# HSBC Family of Funds

Annual Report - October 31, 2016

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**Bloomberg Barclays U.S. Corporate High-Yield Index** covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt.

**Bloomberg Barclays Emerging Markets USD Aggregate Index** is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers.

**Bloomberg Barclays Euro Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment-grade, euro-denominated, fixed-rate bond market, including treasuries, government-related, corporate, and securitized issues.

**Bloomberg Barclays Global Aggregate Index** is a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

**Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high-yield debt market. The index represents the union of the U.S. High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive.

**Bloomberg Barclays U.S. Aggregate Bond Index** is an index that is generally representative of investment-grade, USD-denominated, fixed-rate debt issues, taxable bond market, including Treasuries, government-related and corporate securities, asset-backed, mortgage-backed and commercial mortgage-backed securities, with maturities of at least one year.

**Gross Domestic Product ("GDP")** is the value of goods and services produced in a given country in a given year.

**Lipper Mid-Cap Growth Funds Average** is an equally weighted average of mutual funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) below Lipper's U.S. Diversified Equity large-cap floor. Mid-cap growth funds typically have an above-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P MidCap 400 Index.

**MSCI Brazil Index** measures the performance of the large- and mid-cap segments of the Brazilian market. With 60 constituents, the index covers about 85% of the Brazilian equity universe.

**MSCI Emerging Markets ("MSCI EM") Index** is an index that captures the large- and mid-cap representation across 23 emerging markets countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

**MSCI Europe Australasia and Far East ("MSCI EAFE") Index** is an equity index which captures the large- and mid-cap representation across developed markets countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK (excluding the US and Canada).

**MSCI Golden Dragon Index** captures the equity market performance of large- and mid-cap China securities (H shares, B shares, Red-Chips and P-Chips) and non-domestic China securities listed in Hong Kong and Taiwan.

**MSCI World Index** is part of a broad global equity benchmark that represents large- and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World benchmark does not offer exposure to emerging markets.

**Russell 2500™ Growth Index** is an index that measures the performance of the small- to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

**Standard & Poor's 500 ("S&P 500") Index** is an index that is widely regarded as a gauge of the U.S. equities market. This index includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market, with approximately 80% coverage of U.S. equities.

*Lipper is an independent mutual fund performance monitor whose results are based on total return and do not reflect a sales charge.*

*Securities indices are unmanaged and assume reinvestment of all distributions and interest payments and do not take in account brokerage fees or expenses. Securities in the Funds do not match those in the indices and performance of the Funds will differ. Investors cannot invest directly in an index.*

## HSBC Global Asset Management (USA) Inc.

### Global Economic Review

The global economy remained resilient over the 12 month period from November 1, 2015, through October 31, 2016, even as a wide range of developments challenged its stability and exposed weaknesses.

Concern about slowing global economic growth was a central theme early in the period, as low commodity prices and weak economic data in major developed economies dragged on equity markets. Conditions improved in mid-February 2016, however, as oil prices rose and the Chinese economy showed signs of stabilization. Supportive monetary policies from the European Central Bank (ECB) and several other central banks also helped send stocks higher. The U.K.'s June Brexit referendum shocked global markets, but a swift recovery reversed losses in most markets before the end of the period.

In December 2015, the U.S. Federal Reserve raised its federal funds rate 25 basis points (0.25%) from a target range of 0.00% to 0.25% to a range of 0.25% to 0.50%. The Fed then adopted a more "dovish" outlook in 2016, softening its rate-hiking stance and postponing further rate increases.

U.S. gross domestic product growth (GDP<sup>1</sup>) slowed in the first three quarters of the period. Preliminary estimates point to more rapid but still modest growth in the third quarter of 2016. Economic data in the U.S. was mixed for much of the 12-month period, with positive signs of general health in the labor and housing markets.

European economies saw steady but slow growth. Quarterly GDP growth in the euro zone peaked at 0.5% during the period as improving labor markets, rising personal consumption and increasing manufacturing activity were offset by political uncertainty and weak global demand. The ECB maintained its accommodative monetary policy and implemented new stimulus measures that included broad interest rate cuts and incentives for banks to lend.

In the first few months of the period, Chinese industrial overcapacity drove down demand and prices for commodities, helping extend a multi-year slump in the asset class that began in 2014. Commodities-dependent countries such as Russia and Brazil were particularly vulnerable in this environment. However, this dynamic shifted early in 2016 as commodities began to recover and trended upwards for the remainder of the period.

The Bank of Japan shifted strategies in September after several years of quantitative easing, launching a new plan to maintain long-term interest rate targets. The new tactic was preceded one month earlier by President Shinzo Abe's announcement of new stimulus measures valued at \$276 billion.

Rising prices for oil and other commodities, such as iron ore, provided a boost to many emerging economies in early 2016, including Russia and Brazil. Yet the Russian economy continued to experience meager growth in the wake of heightened Western sanctions. Meanwhile, the Brazilian economy struggled with a recession and ongoing political turmoil and the impeachment trial of President Dilma Rousseff. Brazilian equities still managed to post strong gains in the final months of the period as Rousseff's successor, Michel Temer, introduced a market-friendly economic program.

Global inflation remained low during the period. A strong U.S. dollar encouraged U.S. imports and discouraged exports. The strong dollar also created a challenging environment for countries that hold high levels of debt denominated in the U.S. dollar, such as Mexico and Turkey.

### Market Review

Global equity delivered mixed results for the period. Stocks lost ground twice early in the period: once during the first four months of the period and then again after the June Brexit vote. Equity markets rebounded after both market corrections, and by early September, some major equity indexes were hitting 52-week highs.

Emerging market equities outperformed developed market equities in three of the four quarters during the period and for the period overall. The strong performance for these stocks was fueled by rising commodity prices, accommodative monetary policy, and a return to risk-on sentiment among investors attracted by long-term growth prospects and attractive valuations. The MSCI Emerging Market Index<sup>1</sup> returned 9.27% over the period while the MSCI EAFE Index<sup>1</sup> of international stocks in developed markets returned -3.23% and the MSCI World Index<sup>1</sup> returned 1.18%.

Brazilian stocks soared during the period, with the MSCI Brazil Index<sup>1</sup> gaining more than 71.23% on that nation's new economic plan. Asian emerging market gains were less dramatic, with the MSCI Golden Dragon Index<sup>1</sup> of large- and mid-cap securities in China, Hong Kong, and Taiwan climbing 6.96%.

U.S. equities posted modest gains during the period; the S&P 500 Index<sup>1</sup> of large-company stocks returned 4.51%. U.S. economic fundamentals generally improved throughout the period.

Japanese stocks declined during the first half of the period and plummeted after the June Brexit vote, only to rebound strongly enough to end the period with a modest gain. European stocks lost ground overall during the period.

The low-rate environment supported prices on U.S. government and corporate issues for much of the 12-month period. Rates on U.S. Treasuries rose modestly from early July 2016 through the end of the period in response to improving economic data and increasingly hawkish commentary from the Fed.

The Bloomberg Barclays U.S. Aggregate Bond Index<sup>1</sup>, which tracks the broad U.S. investment-grade fixed income market, returned 4.37% for the 12-month period through October 31, 2016. Meanwhile the Bloomberg Barclays U.S. Corporate High-Yield Index<sup>1</sup> gained 10.14% during the same time.

Global fixed income markets posted significant gains during the period as well. The Bloomberg Barclays Global Aggregate Index<sup>1</sup> gained 6.44% for the 12-month period through October 31, 2016, while the Bloomberg Barclays Global High Yield Index<sup>1</sup> gained 9.83%.

Fixed income markets in Europe posted modest gains for the period. Increased monetary stimulus from the ECB supported demand for high-yield bonds, helping fixed income markets stabilize in the aftermath of the Brexit vote. The Bloomberg Barclays Euro Aggregate Bond Index<sup>1</sup> returned 3.72%.

Emerging markets debt rallied during the period as investors became increasingly tolerant of risk in search of yield and returns. The Bloomberg Barclays Emerging Markets USD Aggregate Index<sup>1</sup> returned 10.23% during the 12-month period.

<sup>1</sup> For additional information, please refer to the Glossary of Terms.

## **HSBC Opportunity Fund**

**(Class A Shares, Class B Shares, Class C Shares and Class I Shares)**

*by William A. Muggia, Committee Lead/Portfolio Manager  
Ethan J. Myers, CFA, Portfolio Manager  
John M. Montgomery, Portfolio Manager  
Hamlen Thompson, Portfolio Manager  
Bruce N. Jacobs, CFA, Portfolio Manager  
Westfield Capital Management Company, L.P.*

The HSBC Opportunity Fund (the “Fund”) seeks long-term growth of capital by investing, under normal market conditions, primarily in equity securities of small- and mid-cap companies. Small- and mid-cap companies generally are defined as those that have market capitalizations within the range of market capitalizations represented in the Russell 2500™ Growth Index<sup>1</sup>. The Fund may also invest in equity securities of larger, more established companies and may invest up to 20% of its assets in securities of foreign companies. The Fund employs a two-tier structure, commonly referred to as a “master-feeder” structure, in which the Fund invests all of its investable assets in the HSBC Opportunity Portfolio (the “Portfolio”). The Portfolio employs Westfield Capital Management Company, L.P. as its subadviser.

### **Investment Concerns**

Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed income securities.

Small- to mid-capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure, and historically, their stocks have experienced a greater degree of market volatility than stocks on average.

The growth investment style may fall out of favor in the marketplace and result in significant declines in the value of the Portfolio's securities. Securities of companies considered to be growth investments may have rapid price swings in the event of earnings disappointments or during periods of market, political, regulatory and economic uncertainty.

There are risks associated with investing in foreign companies, such as erratic market conditions, economic and political instability and fluctuations in currency and exchange rates.

For a complete description of these and other risks associated with investment in a mutual fund, please refer to the Fund's prospectus.

### **Market Commentary**

For the year ended October 31, 2016, the Class I Shares of the HSBC Opportunity Fund produced a -3.28% total return, and the Class A Shares of the Fund produced a -3.87% total return (without sales charge). The Russell 2500™ Growth Index<sup>1</sup>, the Fund's primary performance benchmark, and the Lipper Mid-Cap Growth Funds Average<sup>1</sup> returned 0.00% and -0.86%, respectively.

### **Portfolio Performance**

After a period of prolonged gains from 2011 through the middle of 2015, U.S. equity markets began to show signs of duress during the reporting period. The period witnessed two major corrections, during the first six weeks of the year and again in June. In both cases, investors sought refuge in the most defensive, bond-like segments of the U.S. equity market, such as the real estate, utilities and telecom sectors—high-valuation areas of the market to which the Fund has limited exposure given, what we believe are, lofty valuations and lower growth potential.<sup>†</sup>

More typical market conditions emerged after both corrections, where stock prices followed fundamentals and earnings and valuations were once again rewarded. Investors shifted their attention to more growth-oriented information technology and industrial companies, with those sectors outperforming others for the period. The Fund's return benefited from positive performance across a number of sectors, with the largest contributions stemming from the health care and real estate sectors.<sup>†</sup>

The materials, industrials and information technology sectors were the largest detractors from the Fund's relative results, leading to underperformance against the Fund's primary benchmark. In particular, the Fund's limited exposure to the materials sector, one of the market's best performers during the period, dragged on relative performance. Investors sought counter-cyclical stocks within that sector, which are typically viewed as safe havens in weaker markets. However, these stocks did not fit the investment profile of the portfolio, and the Fund's only exposure to the sector continued to be in the chemical industry. Stock selection within the specialty chemicals sub-industry was in fact the biggest source of relative underperformance.<sup>†</sup>

Stock selection in the health care sector, particularly within the Fund's biotechnology and life sciences holdings, was the largest positive contributor to relative results. The Fund's investments in the financials, consumer staples, telecommunications, and real estate sectors also boosted relative returns.<sup>†</sup>

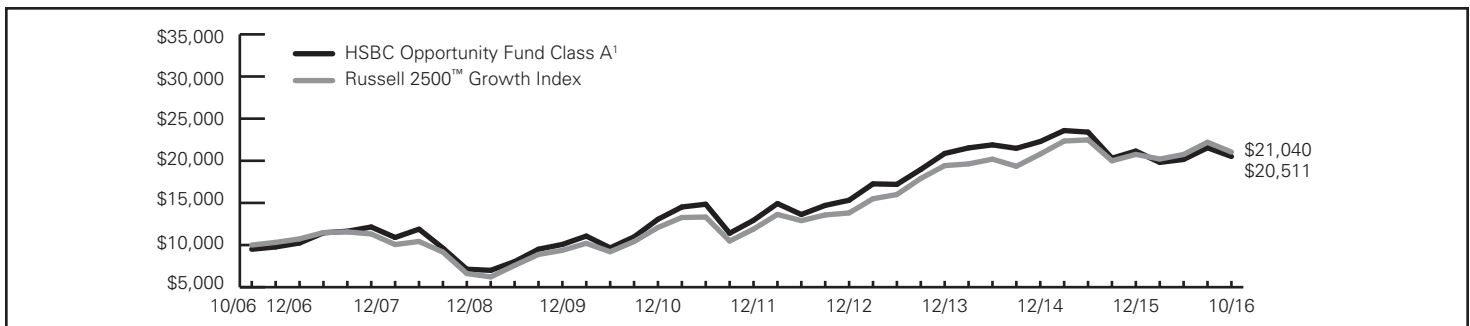
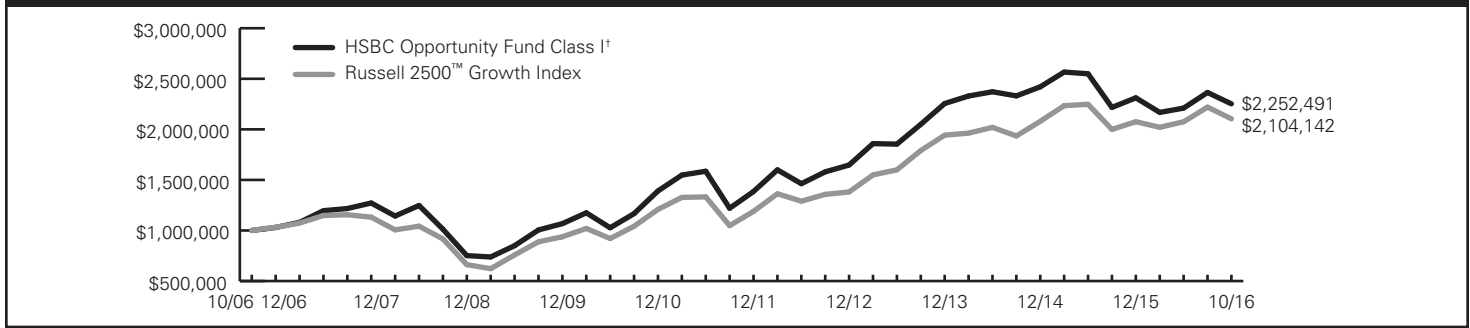
<sup>†</sup> Portfolio composition is subject to change.

<sup>1</sup> For additional information, please refer to the Glossary of Terms.

**Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Total return figures include change in share price, reinvestment of dividends and capital gains and do not reflect taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares. Investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. To obtain performance information current to the most recent month end, please call 1-800-782-8183.**

## HSBC Opportunity Fund

### Value of an Investment



The charts above represent a historical 10-year performance comparison of a hypothetical investment in the indicated share class versus a similar investment in the Fund's benchmark and represents the reinvestment of dividends and capital gains in the Fund.

| Fund Performance                                 | Inception Date | Average Annual Total Return (%) |        |         | Expense Ratio (%) <sup>5</sup> |      |
|--|----------------|---------------------------------|--------|---------|--------------------------------|------|
|  |                | 1 Year                          | 5 Year | 10 Year | Gross                          | Net  |
| <b>As of October 31, 2016</b>                    |                |                                 |        |         |                                |      |
| HSBC Opportunity Fund Class A <sup>1</sup>       | 9/23/96        | -8.64                           | 8.40   | 7.45    | 1.84                           | 1.65 |
| HSBC Opportunity Fund Class B <sup>2</sup>       | 1/6/98         | -8.36                           | 8.71   | 7.51    | 2.59                           | 2.40 |
| HSBC Opportunity Fund Class C <sup>3</sup>       | 11/4/98        | -5.46                           | 8.70   | 7.61    | 2.59                           | 2.40 |
| HSBC Opportunity Fund Class I <sup>†</sup>       | 9/3/96         | -3.28                           | 10.08  | 8.46    | 0.99                           | 0.99 |
| Russell 2500™ Growth Index <sup>4</sup>          | —              | 0.00                            | 11.71  | 7.72    | N/A                            | N/A  |
| Lipper Mid-Cap Growth Funds Average <sup>4</sup> | —              | -0.86                           | 10.32  | 6.65    | N/A                            | N/A  |

**Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Total return figures include change in share price, reinvestment of dividends and capital gains and do not reflect the taxes that a shareholder would pay on Fund distributions or on the redemption of Fund shares. Investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. To obtain performance information current to the most recent month end, please call 1-800-782-8183.**

The performance above reflects any fee waivers that have been in effect during the applicable periods, as well as any expense reimbursements that have periodically been made. Absent such waivers and reimbursements, returns would have been lower. Currently, contractual fee waivers are in effect for the Fund through June 25, 2017 for Class A Shares, Class B Shares and Class C Shares.

Certain returns shown include monies received by the Portfolio, in which the Fund invests, in respect of one-time class action settlements and a one-time reimbursement from HSBC Global Asset Management (USA) Inc. (the "Adviser") to the Fund related to past marketing arrangements. As a result, the Fund's total returns for those periods were higher than they would have been had the Portfolio and the Fund not received the payments.

<sup>†</sup> The Class I Shares are issued by a separate series of the HSBC Funds.

<sup>1</sup> Reflects the maximum sales charge of 5.00%.

<sup>2</sup> Reflects the applicable contingent deferred sales charge, maximum of 4.00%.

<sup>3</sup> Reflects the applicable contingent deferred sales charge, maximum of 1.00%.

<sup>4</sup> For additional information, please refer to the Glossary of Terms.

<sup>5</sup> Reflects the expense ratios as reported in the prospectus dated February 28, 2016. The Adviser has entered into a contractual expense limitation agreement with the Fund under which it will limit total expenses of the Fund (excluding interest, taxes, brokerage commissions, extraordinary expenses and estimated indirect expenses attributable to the Fund's investments in investment companies other than the Portfolio) to an annual rate of 1.65%, 2.40%, and 2.40% for Class A Shares, Class B Shares, and Class C Shares, respectively. The expense limitation shall be in effect until June 25, 2017. Additional information pertaining to the October 31, 2016 expense ratios can be found in the financial highlights.

The Fund's performance is measured against the Russell 2500™ Growth Index, an unmanaged index that measures the performance of the small- to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The performance for the index does not reflect the deduction of expenses associated with a mutual fund, such as investment management and fund accounting fees. The Fund's performance reflects the deduction of fees for these value-added services. Investors cannot invest directly in an index.

# HSBC FAMILY OF FUNDS

Statements of Assets and Liabilities—as of October 31, 2016

|   | Opportunity Fund   | Opportunity Fund (Class I) |
|---|--------------------|----------------------------|
| <b>Assets:</b>  |                    |                            |
| Investments in Affiliated Portfolio   | \$9,827,032        | \$ 141,400,967             |
| Receivable for capital shares issued  | 5,198              | 34,496                     |
| Receivable from Investment Adviser  | 25,490             | —                          |
| Prepaid expenses  | 6,651              | 29,856                     |
| <b>Total Assets</b>   | <u>9,864,371</u>   | <u>141,465,319</u>         |
| <b>Liabilities:</b>   |                    |                            |
| Payable for capital shares redeemed   | 12,128             | 363,239                    |
| Accrued expenses and other payables:  |                    |                            |
| Administration  | 163                | 2,372                      |
| Distribution fees   | 386                | —                          |
| Shareholder Servicing   | 2,459              | —                          |
| Accounting  | 1,635              | 775                        |
| Professional  | 9,868              | 11,768                     |
| Printing  | 1,014              | 14,764                     |
| Transfer Agent  | 10,948             | 9,100                      |
| Other   | 574                | 2,163                      |
| <b>Total Liabilities</b>  | <u>39,175</u>      | <u>404,181</u>             |
| <b>Net Assets</b>   | <u>\$9,825,196</u> | <u>\$ 141,061,138</u>      |
| <b>Composition of Net Assets:</b>   |                    |                            |
| Capital   | \$8,509,694        | \$ 123,229,935             |
| Accumulated net investment income/(loss)  | (79,658)           | (332,204)                  |
| Accumulated net realized gains/(losses) from investments                                | 1,023,036          | 12,584,643                 |
| Net unrealized appreciation / (depreciation) on investments                             | 372,124            | 5,578,764                  |
| <b>Net Assets</b>   | <u>\$9,825,196</u> | <u>\$ 141,061,138</u>      |
| <b>Net Assets:</b>  |                    |                            |
| Class A Shares  | \$9,275,515        | \$ —                       |
| Class B Shares  | 74,570             | —                          |
| Class C Shares  | 475,111            | —                          |
| Class I Shares  | —                  | 141,061,138                |
| Total   | <u>\$9,825,196</u> | <u>\$ 141,061,138</u>      |
| <b>Shares Outstanding:</b>  |                    |                            |
| (\$0.001 par value, unlimited number of shares authorized):                             |                    |                            |
| Class A Shares  | 932,711            | —                          |
| Class B Shares  | 11,097             | —                          |
| Class C Shares  | 67,960             | —                          |
| Class I Shares  | —                  | 10,628,939                 |
| <b>Net Asset Value, Offering Price and Redemption Price per share:</b>                  |                    |                            |
| Class A Shares  | \$ 9.94            | \$ —                       |
| Class B Shares(a)   | \$ 6.72            | \$ —                       |
| Class C Shares(a)   | \$ 6.99            | \$ —                       |
| Class I Shares  | \$ —               | \$ 13.27                   |
| <b>Maximum Sales Charge:</b>  |                    |                            |
| Class A Shares  | 5.00%              | —%                         |
| <b>Maximum Offering Price per share (Net Asset Value / (100%-maximum sales charge))</b> |                    |                            |
| Class A Shares  | \$ 10.46           | \$ —                       |

(a) Redemption price per share varies by length of time shares are held.



# HSBC FAMILY OF FUNDS

Statements of Operations—For the year ended October 31, 2016

|   | Opportunity Fund    | Opportunity Fund (Class I) |
|---|---------------------|----------------------------|
| <b>Investment Income:</b>   |                     |                            |
| Investment Income from Affiliated Portfolio   | \$ 121,097          | \$ 1,796,855               |
| Expenses from Affiliated Portfolio  | (122,410)           | (1,818,792)                |
| <b>Total Investment Income / (Loss)</b>   | <u>(1,313)</u>      | <u>(21,937)</u>            |
| <b>Expenses:</b>  |                     |                            |
| Administration:   |                     |                            |
| Class A Shares  | 2,764               | —                          |
| Class B Shares  | 22                  | —                          |
| Class C Shares  | 139                 | —                          |
| Class I Shares  | —                   | 43,175                     |
| Distribution:   |                     |                            |
| Class B Shares  | 762                 | —                          |
| Class C Shares  | 4,872               | —                          |
| Shareholder Servicing:  |                     |                            |
| Class A Shares  | 31,768              | —                          |
| Class B Shares  | 254                 | —                          |
| Class C Shares  | 1,624               | —                          |
| Accounting  | 19,053              | 9,026                      |
| Compliance Services   | 137                 | 2,086                      |
| Printing  | 14,354              | 75,261                     |
| Professional  | 16,673              | 41,924                     |
| Transfer Agent  | 49,014              | 45,524                     |
| Administrative Services   | 6,266               | 31,016                     |
| Trustee   | 665                 | 4,559                      |
| Registration fees   | 21,787              | 17,463                     |
| Other   | 1,161               | 13,268                     |
| Total expenses before fee and expense reductions  | 171,315             | 283,302                    |
| Fees voluntarily reduced/reimbursed by Investment Adviser                               | (13,693)            | —                          |
| Fees contractually reduced/reimbursed by Investment Adviser                             | (62,736)            | —                          |
| <b>Net Expenses</b>   | <u>94,886</u>       | <u>283,302</u>             |
| <b>Net Investment Income/(Loss)</b>   | <u>(96,199)</u>     | <u>(305,239)</u>           |
| <b>Realized/Unrealized Gains/(Losses) from Investments:</b>                             |                     |                            |
| Net realized gains/(losses) from investments from Affiliated Portfolio                  | 1,215,936           | 13,908,190                 |
| Change in unrealized appreciation/depreciation on investments from Affiliated Portfolio | (1,855,077)         | (20,296,364)               |
| Net realized/unrealized gains (losses) on investments from Affiliated Portfolio         | <u>(639,141)</u>    | <u>(6,388,174)</u>         |
| <b>Change in Net Assets Resulting from Operations</b>                                   | <u>\$ (735,340)</u> | <u>\$ (6,693,413)</u>      |

# HSBC FAMILY OF FUNDS

## Statements of Changes in Net Assets

|   | Opportunity Fund                       |  | Opportunity Fund (Class I)             |  |
|---|--|--|--|--|
|   | For the year ended<br>October 31, 2016 | For the year ended<br>October 31, 2015 | For the year ended<br>October 31, 2016 | For the year ended<br>October 31, 2015 |
| <b>Investment Activities:</b>                                   |  |  |  |  |
| <b>Operations:</b>  |  |  |  |  |
| Net investment income/(loss)                                    | \$ (96,199)                            | \$ (169,900)                           | \$ (305,239)                           | \$ (656,425)                           |
| Net realized gains/(losses) from investments                    | 1,215,936                              | (126,642)                              | 13,908,190                             | (1,250,197)                            |
| Change in unrealized appreciation/depreciation on investments   | (1,855,077)                            | (71,319)                               | (20,296,364)                           | (3,000,512)                            |
| <b>Change in net assets resulting from operations</b>           | <u>(735,340)</u>                       | <u>(367,861)</u>                       | <u>(6,693,413)</u>                     | <u>(4,907,134)</u>                     |
| <b>Distributions:</b>   |  |  |  |  |
| <b>Net realized gains:</b>                                      |  |  |  |  |
| Class A Shares  | —                                      | (3,049,523)                            | —                                      | —                                      |
| Class B Shares  | —                                      | (79,546)                               | —                                      | —                                      |
| Class C Shares  | —                                      | (180,411)                              | —                                      | —                                      |
| Class I Shares  | —                                      | —                                      | —                                      | (42,957,976)                           |
| <b>Change in net assets resulting from distributions</b>        | <u>—</u>                               | <u>(3,309,480)</u>                     | <u>—</u>                               | <u>(42,957,976)</u>                    |
| <b>Change in net assets resulting from capital transactions</b> | <u>(7,035,888)</u>                     | <u>4,007,938</u>                       | <u>(72,091,064)</u>                    | <u>62,474,171</u>                      |
| <b>Change in net assets</b>                                     | <u>(7,771,228)</u>                     | <u>330,597</u>                         | <u>(78,784,477)</u>                    | <u>14,609,061</u>                      |
| <b>Net Assets:</b>  |  |  |  |  |
| Beginning of period   | 17,596,424                             | 17,265,827                             | 219,845,615                            | 205,236,554                            |
| End of period   | <u>\$ 9,825,196</u>                    | <u>\$ 17,596,424</u>                   | <u>\$ 141,061,138</u>                  | <u>\$ 219,845,615</u>                  |
| Accumulated net investment income (loss)                        | <u>\$ (79,658)</u>                     | <u>\$ (160,996)</u>                    | <u>\$ (332,204)</u>                    | <u>\$ (617,681)</u>                    |

# HSBC FAMILY OF FUNDS

## Statements of Changes in Net Assets (continued)

|   | Opportunity Fund                       |  | Opportunity Fund (Class I)             |  |
|---|--|--|--|--|
|   | For the year ended<br>October 31, 2016 | For the year ended<br>October 31, 2015 | For the year ended<br>October 31, 2016 | For the year ended<br>October 31, 2015 |
| <b>CAPITAL TRANSACTIONS:</b>                                    |  |  |  |  |
| <b>Class A Shares:</b>  |  |  |  |  |
| Proceeds from shares issued                                     | \$ 2,138,113                           | \$ 5,620,192                           | \$ —                                   | \$ —                                   |
| Dividends reinvested  | —                                      | 3,006,950                              | —                                      | —                                      |
| Value of shares redeemed  | (8,758,224)                            | (4,754,026)                            | —                                      | —                                      |
| <b>Class A Shares capital transactions</b>                      | <u>(6,620,111)</u>                     | <u>3,873,116</u>                       | <u>—</u>                               | <u>—</u>                               |
| <b>Class B Shares:</b>  |  |  |  |  |
| Dividends reinvested  | —                                      | 79,546                                 | —                                      | —                                      |
| Value of shares redeemed  | (95,023)                               | (157,482)                              | —                                      | —                                      |
| <b>Class B Shares capital transactions</b>                      | <u>(95,023)</u>                        | <u>(77,936)</u>                        | <u>—</u>                               | <u>—</u>                               |
| <b>Class C Shares:</b>  |  |  |  |  |
| Proceeds from shares issued                                     | 200                                    | 169,225                                | —                                      | —                                      |
| Dividends reinvested  | —                                      | 180,411                                | —                                      | —                                      |
| Value of shares redeemed  | (320,954)                              | (136,878)                              | —                                      | —                                      |
| <b>Class C Shares capital transactions</b>                      | <u>(320,754)</u>                       | <u>212,758</u>                         | <u>—</u>                               | <u>—</u>                               |
| <b>Class I Shares:</b>  |  |  |  |  |
| Proceeds from shares issued                                     | —                                      | —                                      | 46,455,601                             | 53,094,557                             |
| Dividends reinvested  | —                                      | —                                      | —                                      | 42,818,632                             |
| Value of shares redeemed  | —                                      | —                                      | (118,546,665)                          | (33,439,018)                           |
| <b>Class I Shares capital transactions</b>                      | <u>—</u>                               | <u>—</u>                               | <u>(72,091,064)</u>                    | <u>62,474,171</u>                      |
| <b>Change in net assets resulting from capital transactions</b> | <u>\$ (7,035,888)</u>                  | <u>\$ 4,007,938</u>                    | <u>\$ (72,091,064)</u>                 | <u>\$ 62,474,171</u>                   |
| <b>SHARE TRANSACTIONS:</b>                                      |  |  |  |  |
| <b>Class A Shares:</b>  |  |  |  |  |
| Issued  | 226,608                                | 501,383                                | —                                      | —                                      |
| Reinvested  | —                                      | 276,374                                | —                                      | —                                      |
| Redeemed  | (899,384)                              | (428,289)                              | —                                      | —                                      |
| <b>Change in Class A Shares</b>                                 | <u>(672,776)</u>                       | <u>349,468</u>                         | <u>—</u>                               | <u>—</u>                               |
| <b>Class B Shares:</b>  |  |  |  |  |
| Reinvested  | —                                      | 10,677                                 | —                                      | —                                      |
| Redeemed  | (14,246)                               | (20,497)                               | —                                      | —                                      |
| <b>Change in Class B Shares</b>                                 | <u>(14,246)</u>                        | <u>(9,820)</u>                         | <u>—</u>                               | <u>—</u>                               |
| <b>Class C Shares:</b>  |  |  |  |  |
| Issued  | 29                                     | 20,593                                 | —                                      | —                                      |
| Reinvested  | —                                      | 23,278                                 | —                                      | —                                      |
| Redeemed  | (44,801)                               | (14,948)                               | —                                      | —                                      |
| <b>Change in Class C Shares</b>                                 | <u>(44,772)</u>                        | <u>28,923</u>                          | <u>—</u>                               | <u>—</u>                               |
| <b>Class I Shares:</b>  |  |  |  |  |
| Issued  | —                                      | —                                      | 3,513,118                              | 3,581,286                              |
| Reinvested  | —                                      | —                                      | —                                      | 2,979,724                              |
| Redeemed  | —                                      | —                                      | (8,909,863)                            | (2,286,235)                            |
| <b>Change in Class I Shares</b>                                 | <u>—</u>                               | <u>—</u>                               | <u>(5,396,745)</u>                     | <u>4,274,775</u>                       |

# HSBC OPPORTUNITY FUND

## Financial Highlights

Selected data for a share outstanding throughout the periods indicated.\*

|                             | Investment Activities                |                                 |  |                                  |                       | Distributions                        |                     |                                | Ratios/Supplementary Data |                                     |   |   |  |                        |
|-----------------------------|--------------------------------------|---------------------------------|--|----------------------------------|-----------------------|--------------------------------------|---------------------|--------------------------------|---------------------------|-------------------------------------|---|---|--|------------------------|
|                             | Net Asset Value, Beginning of Period | Net Investment Income (Loss)(a) | Net Realized Gains/(Losses) from Investments | Total from Investment Activities | Net Investment Income | Net Realized Gains from Transactions | Total Distributions | Net Asset Value, End of Period | Total Return(b)           | Net Assets at End of Period (000's) | Ratio of Net Expenses to Average Net Assets | Ratio of Net Investment Income/(Loss) to Average Net Assets | Ratio of Expenses to Average Net Assets (Excluding Fee Reductions) | Portfolio Turnover (c) |
| <b>CLASS A SHARES</b>       |                                      |                                 |  |                                  |                       |                                      |                     |                                |                           |                                     |   |   |  |                        |
| Year Ended October 31, 2016 | \$10.34                              | \$(0.07)                        | \$(0.33)                                     | \$(0.40)                         | \$—                   | \$—                                  | \$—                 | \$ 9.94                        | (3.87)%                   | \$ 9,276                            | 1.55%                                       | (0.66)%   | 2.11%  | 96%                    |
| Year Ended October 31, 2015 | 12.83                                | (0.10)                          | (0.07)                                       | (0.17)                           | —                     | (2.32)                               | (2.32)              | 10.34                          | (2.21)%                   | 16,593                              | 1.55%                                       | (0.86)%   | 1.84%  | 63%                    |
| Year Ended October 31, 2014 | 12.78                                | (0.13)                          | 1.53   | 1.40                             | —                     | (1.35)                               | (1.35)              | 12.83                          | 11.57%                    | 16,110                              | 1.55%                                       | (1.04)%   | 1.86%  | 66%                    |
| Year Ended October 31, 2013 | 10.13                                | (0.06)                          | 3.34   | 3.28                             | —                     | (0.63)                               | (0.63)              | 12.78                          | 34.02%(d)                 | 14,259                              | 1.55%                                       | (0.49)%   | 2.01%  | 70%                    |
| Year Ended October 31, 2012 | 10.63                                | (0.05)                          | 1.11   | 1.06                             | —                     | (1.56)                               | (1.56)              | 10.13                          | 12.08%(d)                 | 10,204                              | 1.55%                                       | (0.51)%   | 2.20%  | 59%                    |
| <b>CLASS B SHARES</b>       |                                      |                                 |  |                                  |                       |                                      |                     |                                |                           |                                     |   |   |  |                        |
| Year Ended October 31, 2016 | 7.04                                 | (0.09)                          | (0.23)                                       | (0.32)                           | —                     | —                                    | —                   | 6.72                           | (4.55)%                   | 75                                  | 2.30%                                       | (1.41)%   | 2.86%  | 96%                    |
| Year Ended October 31, 2015 | 9.51                                 | (0.13)                          | (0.02)                                       | (0.15)                           | —                     | (2.32)                               | (2.32)              | 7.04                           | (2.90)%                   | 178                                 | 2.30%                                       | (1.61)%   | 2.60%  | 63%                    |
| Year Ended October 31, 2014 | 9.87                                 | (0.16)                          | 1.15   | 0.99                             | —                     | (1.35)                               | (1.35)              | 9.51                           | 10.74%                    | 334                                 | 2.30%                                       | (1.74)%   | 2.60%  | 66%                    |
| Year Ended October 31, 2013 | 8.01                                 | (0.11)                          | 2.60   | 2.49                             | —                     | (0.63)                               | (0.63)              | 9.87                           | 33.10%(d)                 | 480                                 | 2.30%                                       | (1.24)%   | 2.77%  | 70%                    |
| Year Ended October 31, 2012 | 8.80                                 | (0.10)                          | 0.87   | 0.77                             | —                     | (1.56)                               | (1.56)              | 8.01                           | 11.15%(d)                 | 499                                 | 2.30%                                       | (1.25)%   | 2.99%  | 59%                    |
| <b>CLASS C SHARES</b>       |                                      |                                 |  |                                  |                       |                                      |                     |                                |                           |                                     |   |   |  |                        |
| Year Ended October 31, 2016 | 7.32                                 | (0.10)                          | (0.23)                                       | (0.33)                           | —                     | —                                    | —                   | 6.99                           | (4.51)%                   | 475                                 | 2.30%                                       | (1.41)%   | 2.88%  | 96%                    |
| Year Ended October 31, 2015 | 9.80                                 | (0.13)                          | (0.03)                                       | (0.16)                           | —                     | (2.32)                               | (2.32)              | 7.32                           | (2.93)%                   | 825                                 | 2.30%                                       | (1.61)%   | 2.62%  | 63%                    |
| Year Ended October 31, 2014 | 10.14                                | (0.17)                          | 1.18   | 1.01                             | —                     | (1.35)                               | (1.35)              | 9.80                           | 10.64%                    | 822                                 | 2.30%                                       | (1.77)%   | 2.61%  | 66%                    |
| Year Ended October 31, 2013 | 8.21                                 | (0.11)                          | 2.67   | 2.56                             | —                     | (0.63)                               | (0.63)              | 10.14                          | 33.15%(d)                 | 711                                 | 2.30%                                       | (1.21)%   | 2.76%  | 70%                    |
| Year Ended October 31, 2012 | 8.98                                 | (0.10)                          | 0.89   | 0.79                             | —                     | (1.56)                               | (1.56)              | 8.21                           | 11.14%(d)                 | 545                                 | 2.30%                                       | (1.19)%   | 3.03%  | 59%                    |

\* The per share amounts and percentages reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the HSBC Opportunity Portfolio.

(a) Calculated based on average shares outstanding.

(b) Total return calculations do not include any sales or redemption charges.

(c) Portfolio turnover rate is calculated on the basis of the respective Portfolio in which the Fund invests all of its investable assets. Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

(d) The Portfolio, in which the Fund invests, received monies related to certain nonrecurring litigation settlements. The corresponding impact to the total return was 0.10% and 0.13% for the years ended October 31, 2012 and 2013, respectively.

Amounts designated as "—" are \$0.00 or have been rounded to \$0.00.

# HSBC OPPORTUNITY FUND (CLASS I)

## Financial Highlights

Selected data for a share outstanding throughout the periods indicated.\*

|                             | Investment Activities                |                                 |   |                                  |                       | Distributions                                   |                                |                           | Ratios/Supplementary Data           |   |  |  |                        |
|-----------------------------|--------------------------------------|---------------------------------|---|----------------------------------|-----------------------|---|--------------------------------|---------------------------|-------------------------------------|---|--|--|------------------------|
|                             | Net Asset Value, Beginning of Period | Net Investment Income (Loss)(a) | Net Realized Gains/ (Losses) from Investments | Total from Investment Activities | Net Investment Income | Net Realized Gains from Investment Transactions | Net Asset Value, End of Period | Net Asset Total Return(b) | Net Assets at End of Period (000's) | Ratio of Net Expenses to Average Net Assets | Ratio of Net Investment Income/ (Loss) to Average Net Assets | Ratio of Expenses to Average Net Assets (Excluding Fee Reductions) | Portfolio Turnover (c) |
| <b>CLASS I SHARES</b>       |                                      |                                 |   |                                  |                       |   |                                |                           |                                     |   |  |  |                        |
| Year Ended October 31, 2016 | \$13.72                              | \$(0.02)                        | \$(0.43)                                      | \$(0.45)                         | \$ —                  | \$ —  | \$13.27                        | (3.28)%                   | \$141,061                           | 1.03%                                       | (0.15)%  | 1.03%  | 96%                    |
| Year Ended October 31, 2015 | 17.47                                | (0.05)                          | (0.08)  | (0.13)                           | —                     | (3.62)  | 13.72                          | (1.69)%                   | 219,846                             | 0.99%                                       | (0.30)%  | 0.99%  | 63%                    |
| Year Ended October 31, 2014 | 17.27                                | (0.08)                          | 2.07  | 1.99                             | (0.04)                | (1.75)  | 17.47                          | 12.16%                    | 205,237                             | 1.00%                                       | (0.49)%  | 1.00%  | 66%                    |
| Year Ended October 31, 2013 | 13.40                                | 0.01                            | 4.47  | 4.48                             | —                     | (0.61)  | 17.27                          | 34.70%(d)                 | 208,321                             | 0.99%                                       | 0.07%  | 0.99%  | 70%                    |
| Year Ended October 31, 2012 | 14.02                                | (0.01)                          | 1.46  | 1.45                             | —                     | (2.07)  | 13.40                          | 12.50%(d)                 | 135,098                             | 1.08%                                       | (0.01)%  | 1.08%  | 59%                    |

\* The per share amounts and percentages reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of the HSBC Opportunity Portfolio.

(a) Calculated based on average shares outstanding.

(b) Total return calculations do not include any sales or redemption charges.

(c) Portfolio turnover rate is calculated on the basis of the respective Portfolio in which the Fund invests all of its investable assets. Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes of shares issued.

(d) The Portfolio, in which the Fund invests, received monies related to certain nonrecurring litigation settlements. The corresponding impact to the total return was 0.10% and 0.13% for the years ended October 31, 2012 and 2013, respectively.

Amounts designated as "-" are \$0.00 or have been rounded to \$0.00.

### 1. Organization:

The HSBC Funds (the “Trust”), a Delaware statutory trust organized on March 2, 2016, is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company. Effective June 24, 2016, the Funds (as defined below), which were series of HSBC Funds, a Massachusetts business trust, reorganized with and into corresponding series of the Trust (each, a “Reorganization”). The series of the Trust into which the Funds reorganized had no assets, liabilities, or operations prior to the Reorganization. Upon completion of each Reorganization, the respective share classes of each Fund assumed the performance, financial and other historical information of those of the corresponding predecessor series. As of October 31, 2016, the Trust is composed of 19 separate operational funds, each a series of the HSBC Family of Funds. For financial reporting purposes, Opportunity Fund that was formerly a series of Advisor Trust prior to the Reorganization, formerly referred to as Opportunity Fund (Advisor), is referred to as Opportunity Fund (Class I). The accompanying financial statements are presented for the following two funds (individually a “Fund”, collectively the “Funds”) of the Trust:

| <u>Fund</u>                     | <u>Short Name</u>          |
|---------------------------------|----------------------------|
| HSBC Opportunity Fund           | Opportunity Fund           |
| HSBC Opportunity Fund (Class I) | Opportunity Fund (Class I) |

All the Funds are diversified funds. Financial statements for all other funds of the Trust are published separately.

Each Fund utilizes a master-feeder fund structure and seeks to achieve its investment objectives by investing all of its investable assets in the HSBC Opportunity Portfolio (the “Portfolio”), which is a diversified series of the Trust. The Portfolio operates as a master fund in a master-feeder arrangement and also may receive investments from certain fund of funds. The Funds’ proportionate ownership of the Portfolio as of October 31, 2016 was as follows:

| <u>Fund</u>                     | <u>Proportionate<br/>Ownership<br/>Interest on<br/>October 31, 2016 (%)</u> |
|---------------------------------|---|
| HSBC Opportunity Fund           | 6.5   |
| HSBC Opportunity Fund (Class I) | 93.5  |

The financial statements of the Portfolio, including the Schedules of Portfolio Investments, are included elsewhere in this report. The financial statements of the Portfolio should be read in conjunction with the financial statements of the Funds.

The Funds are authorized to issue an unlimited number of shares of beneficial interest with a par value of \$ 0.001 per share. The Opportunity Fund offers three classes of shares: Class A Shares, Class B Shares, and Class C Shares. The Opportunity Fund (Class I) offers one class of shares: Class I Shares. Class A Shares of the Opportunity Fund have a maximum sales charge of 5.00% as a percentage of the original purchase price. Class B Shares of the Opportunity Fund are offered without any front-end sales charge but will be subject to a contingent deferred sales charge (“CDSC”) ranging from a maximum of 4.00% if redeemed less than one year after purchase to 0.00% if redeemed more than four years after purchase. Class C Shares of the Opportunity Fund are offered without any front-end sales charge but will be subject to a maximum CDSC of 1.00% if redeemed less than one year after purchase. No sales charges are assessed with respect to Class I Shares of the Opportunity Fund. Each class of shares in the Funds has identical rights and privileges except with respect to arrangements pertaining to shareholder servicing and/or distribution, class-related expenses, voting rights on matters affecting a single class of shares, and the exchange privilege of each class of shares. Class B Shares of the Opportunity Fund may no longer be purchased or acquired by any new or existing Class B shareholder, except through dividend and/or capital gains reinvestment.

Under the Trust’s organizational documents, the Trust’s officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the Trust enters into contracts with service providers, which also provide for indemnifications by

the Funds. The Funds' maximum exposure under these arrangements is unknown, as this would involve any future claims that may be made against the Funds. However, based on experience, the Trust expects that risk of loss to be remote.

The Funds are investment companies and follow accounting and reporting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, "Financial Services-Investment Companies."

## **2. Significant Accounting Policies:**

The following is a summary of the significant accounting policies followed by the Funds in the preparation of their financial statements. The policies are in conformity with generally accepted accounting principles in the United States of America ("GAAP"). The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

### **Securities Valuation:**

The Funds record their investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques used to determine fair value are further described in Note 3 below.

### **Investment Transactions and Related Income:**

The Funds record investment transactions to the Portfolio on a trade date basis. The Funds record daily their proportionate share of income, expenses, changes in unrealized appreciation and depreciation and realized gains and losses derived from the Portfolio. In addition, the Funds accrue their own expenses daily as incurred.

### **Allocations:**

Expenses directly attributable to a Fund are charged to that Fund. Expenses not directly attributable to a Fund are allocated proportionately among the applicable series within the Trust in relation to the net assets of each fund or on another reasonable basis. Class specific expenses are charged directly to the class incurring the expense. In addition, income, expenses (other than class specific expenses), and unrealized and realized gains and losses are allocated to each class based on relative net assets on a daily basis.

### **Distributions to Shareholders:**

Dividends to shareholders from net investment income, if any, are declared and distributed semiannually in the case of the Funds.

The Funds' net realized gains, if any, are distributed to shareholders at least annually. Additional distributions are also made to the Funds' shareholders to the extent necessary to avoid the federal excise tax on certain undistributed income and net capital gains of regulated investment companies.

### **Federal Income Taxes:**

Each Fund is a separate taxable entity for federal income tax purposes. Each Fund has qualified and intends to continue to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code, as amended, and to distribute substantially all of its taxable net investment income and net realized gains, if any, to its shareholders. Accordingly, no provision for federal income or excise tax is required.

Management of the Funds has reviewed tax positions taken in tax years that remain subject to examination by all major tax jurisdictions, including federal (i.e., the last four tax year ends and the interim tax period since then, as applicable). Management believes that there is no tax liability resulting from unrecognized tax benefits related to uncertain tax positions taken. Management's conclusions may be subject to future review based on changes in, or interpretation of, accounting standards or tax laws and regulations.

### 3. Investment Valuation Summary

The valuation techniques employed by the Funds, as described below, maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. The Funds' investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs used for valuing the Funds' investments are summarized in the three broad levels listed below:

- Level 1: quoted prices in active markets for identical assets
- Level 2: other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments speeds, credit risk, etc.)
- Level 3: significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The Trust's policy is to disclose transfers between fair value hierarchy levels based on valuations at the end of the reporting period. There were no transfers between levels as of October 31, 2016, from the valuation input levels used on October 31, 2015. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

The Funds record their investments in the Portfolio at fair value, which represents their proportionate ownership of the value of the Portfolio's net assets. These investments are typically categorized as Level 2 in the fair value hierarchy. The underlying securities of the Portfolio are recorded at fair value, as discussed more fully in the Notes to Financial Statements of the Portfolio included elsewhere in this report.

As of October 31, 2016, all investments were categorized as Level 2 in the fair value hierarchy.

### 4. Related Party Transactions and Other Agreements and Plans:

#### Investment Management:

HSBC Global Asset Management (USA) Inc. ("HSBC" or the "Investment Adviser"), a wholly-owned subsidiary of HSBC Bank USA, N.A., a national bank organized under the laws of the United States, acts as Investment Adviser to the Portfolio. As Investment Adviser, HSBC manages the investments of the Portfolio and continuously reviews, supervises, and administers the Portfolio's investments. The Funds are not directly charged any investment management fees.

#### Administration:

HSBC also serves the Funds as Administrator. Effective April 1, 2016, under the terms of the Administration Agreement, HSBC receives from the Funds (as well as other funds in the Trust combined) a fee, accrued daily and paid monthly, at an annual rate of:

| <u>Based on Average Daily Net Assets of</u>                    | <u>Fee Rate (%)</u> |
|--|---------------------|
| Up to \$10 billion .....                                       | 0.0400              |
| In excess of \$10 billion but not exceeding \$20 billion ..... | 0.0350              |
| In excess of \$20 billion but not exceeding \$50 billion ..... | 0.0265              |
| In excess of \$50 billion.....                                 | 0.0245              |



Prior to April 1, 2016, for these services, HSBC received from the Funds (as well as other funds in the Trust combined) a fee, accrued daily and paid monthly, at an annual rate of:

| <u>Based on Average Daily Net Assets of</u>                    | <u>Fee Rate (%)</u> |
|--|---------------------|
| Up to \$10 billion .....                                       | 0.0550              |
| In excess of \$10 billion but not exceeding \$20 billion ..... | 0.0350              |
| In excess of \$20 billion but not exceeding \$50 billion ..... | 0.0275              |
| In excess of \$50 billion.....                                 | 0.0250              |

The fee rates and breakpoints are determined on the basis of the aggregate average daily net assets of the Trust. For the year ended October 31, 2016, the effective annualized rate was 0.04%, prior to any fee waivers or expense reimbursements, based on the average daily net assets of the Trust. The total administration fee paid to HSBC is allocated to each series based upon its proportionate share of the aggregate net assets of the Trust. For assets invested in the Portfolio by the Funds, the Portfolio pays half of the administration fee and the Funds pay half, for a combination of the total fee rate as set forth above.

Pursuant to a Sub-Administration Agreement with HSBC, Citi Fund Services Ohio, Inc. (“Citi”), a wholly-owned subsidiary of Citigroup, Inc., serves as the Trust’s Sub-Administrator, subject to the general supervision by the Trust’s Board of Trustees (the “Board”) and HSBC. For these services, Citi is entitled to a fee, payable by HSBC, at an annual rate equivalent to the fee rates set forth above subject to certain reductions associated with services provided to new funds, minus 0.02% which is retained by HSBC.

Under a Compliance Services Agreement between the Trust and Citi (the “CCO Agreement”), Citi makes an employee available to serve as the Trust’s Chief Compliance Officer (the “CCO”). Under the CCO Agreement, Citi also provides infrastructure and support in implementing the written policies and procedures comprising the Trust’s compliance program, including support services to the CCO. For the services provided under the CCO Agreement, the Trust paid Citi \$304,597 for the year ended October 31, 2016, plus reimbursement of certain out-of-pocket expenses. Expenses incurred by each Fund are reflected on the Statements of Operations as “Compliance Services.” Citi pays the salary and other compensation earned by individuals performing these services, as employees of Citi.

**Distribution Arrangements:**

Foreside Distribution Services, L.P. (“Foreside”), a wholly-owned subsidiary of Foreside Financial Group LLC, serves the Trust as Distributor (the “Distributor”). The Trust, has adopted a non-compensatory Distribution Plan and Agreement (the “Distribution Plan”) pursuant to Rule 12b-1 of the Act. The Distribution Plan provides for reimbursement of expenses incurred by the Distributor related to distribution and marketing, at a rate not to exceed 0.25%, 1.00% and 1.00% of the average daily net assets of Class A Shares (currently not being charged), Class B Shares (currently charging 0.75%) and Class C Shares (currently charging 0.75%) of the Opportunity Fund, respectively. For the year ended October 31, 2016, Foreside, as Distributor, also received \$64,049 in commissions from sales of the Trust, of which \$97 was reallocated to HSBC-affiliated brokers and dealers.

**Shareholder Servicing:**

The Trust has adopted a Shareholder Services Plan, which provides for payments to shareholder servicing agents for providing various shareholder services. For performing these services, the shareholder servicing agents receive a fee that is computed daily and paid monthly up to 0.25% of the average daily net assets of Class A Shares, Class B Shares, and Class C Shares of the Opportunity Fund. The fees paid to the Distributor pursuant to the Distribution Plan and to shareholder servicing agents pursuant to the Shareholder Services Plan will not exceed in the aggregate 0.50% of the average daily net assets of Class A Shares, and 1.00% of the average daily net assets of Class B Shares and Class C Shares.

The Trust has entered into shareholder services contracts with affiliated and unaffiliated financial intermediaries who provide shareholder services and other related services to their clients or customers who invest in the Opportunity Fund under which the Opportunity Fund will pay all or a portion of such fees earned to financial intermediaries for performing such services.

### Fund Accounting and Transfer Agency:

Citi provides fund accounting services for each Fund. As fund accountant, Citi receives an annual fee per Fund and share class, subject to minimums, reductions associated with services provided to new funds and reimbursement of certain expenses. Citi receives additional fees paid by the Trust for regulatory administration services. Effective July 16, 2016, the transfer agency services were converted from FIS Investor Services, LLC (“FIS”) (formerly SunGard Investor Services LLC) to Boston Financial Data Services, Inc. (“BFDS”) under a separate transfer agency services agreement. As transfer agent, BFDS receives a fee based on the number of funds and shareholder accounts, subject to certain minimums, and reimbursement of certain expenses. Prior to July 16, 2016 transfer agent services were provided under the terms of a separate transfer agency services agreement with Citi. Citi’s rights and obligations under the transfer agency services agreement, in turn, were assigned to FIS. As transfer agent, FIS received a fee based on the number of funds and shareholder accounts, subject to certain minimums, reductions associated with services provided to new funds and reimbursement of certain expenses.

### Independent Trustees:

The Trust pays an annual retainer to each Independent Trustee, plus additional annual retainers to each Committee Chair and the Chairman of the Board. The Independent Trustees also receive a fee for each regular, special in-person, and telephonic meeting of the Board of Trustees attended. The aggregate amount of the fees and expenses of the Independent Trustees are allocated amongst all the funds in the Trust and are presented in the Statements of Operations.

### Other:

The Funds pay fees to certain intermediaries or financial institutions for record keeping, sub-accounting services, transfer agency and other administrative services as reflected on the Statements of Operations as “Administrative Services.”

### Fee Reductions:

The Investment Adviser has contractually agreed to limit, through June 25, 2017, the annual total expenses, exclusive of interest, taxes, brokerage commissions, extraordinary expenses, and estimated indirect expenses attributed to a Fund’s investment in investment companies of certain Funds. Each affected Fund Class has its own expense limitation based on the average daily net assets for any full fiscal year as follows:

| <u>Fund</u>                      | <u>Class</u> | <u>Current Contractual<br/>Expense<br/>Limitation(%)</u> |
|----------------------------------|--------------|--|
| Opportunity Fund .....           | A            | 1.65   |
| Opportunity Fund .....           | B            | 2.40   |
| Opportunity Fund .....           | C            | 2.40   |
| Opportunity Fund (Class I) ..... | I            | 1.10   |

Any amounts contractually waived or reimbursed by the Investment Adviser will be subject to repayment by the respective Fund to the Investment Adviser within three years to the extent that the repayment will not cause the Fund’s operating expenses to exceed the contractual expense limit that was in effect at the time of such waiver or reimbursement. During the year ended October 31, 2016, the Investment Adviser did not recapture any of its prior contractual waivers or reimbursements. As of October 31, 2016, the repayments that may potentially be made by the Funds are as follows:

| <u>Fund</u>            | <u>2019(\$)</u> | <u>2018(\$)</u> | <u>2017(\$)</u> | <u>Total(\$)</u> |
|------------------------|-----------------|-----------------|-----------------|------------------|
| Opportunity Fund ..... | 62,736          | 34,993          | 34,544          | 132,273          |

The Administrator and Citi may voluntarily waive/reimburse fees to help support the expense limits of the Funds. In addition, HSBC, in its role as Investment Adviser and Administrator, may waive/reimburse additional fees at its discretion. Any voluntary fee waivers/reimbursements are not subject to recoupment in subsequent fiscal periods. Voluntary waivers/reimbursements may be stopped at any time. Amounts waived/reimbursed by the Investment Adviser, Administrator and Citi are reported separately on the Statements of Operations, as applicable.

**5. Investment Transactions:**

Contributions to and withdrawals from the Portfolio for the year ended October 31, 2016 totaled:

| <u>Fund</u>                      | <u>Contributions(\$)</u> | <u>Withdrawals(\$)</u> |
|----------------------------------|--------------------------|------------------------|
| Opportunity Fund .....           | 1,348,877                | 8,514,123              |
| Opportunity Fund (Class I) ..... | 34,776,737               | 106,927,668            |

**6. Federal Income Tax Information:**

There were no dividends paid by the Funds during the tax year ended October 31, 2016.

The tax character of dividends paid by the Funds during the tax year ended October 31, 2015 was as follows:

|                                  | <u>Dividends paid from</u>  |   |                                     |                               | <u>Total Dividends Paid (\$)<sup>(1)</sup></u> |
|----------------------------------|-----------------------------|---|-------------------------------------|-------------------------------|--|
|                                  | <u>Ordinary Income (\$)</u> | <u>Net Long Term Capital Gains (\$)</u> | <u>Total Taxable Dividends (\$)</u> | <u>Return of Capital (\$)</u> |  |
| Opportunity Fund .....           | 572,116                     | 2,737,364                               | 3,309,480                           | —                             | 3,309,480                                      |
| Opportunity Fund (Class I) ..... | 8,144,105                   | 34,813,856                              | 42,957,961                          | 15                            | 42,957,976                                     |

(1) Total dividends paid may differ from the amount reported in the Statement of Changes in Net Assets because dividends are recognized when actually paid for tax purposes.

# HSBC FAMILY OF FUNDS

## Notes to Financial Statements— as of October 31, 2016 (continued)

As of the tax year ended October 31, 2016, the components of accumulated earnings/(deficit) on a tax basis for the Funds were as follows:

|   | <b>Undistributed<br/>Ordinary<br/>Income (\$)</b> | <b>Undistributed<br/>Tax Exempt<br/>Income (\$)</b> | <b>Undistributed<br/>Long Term<br/>Capital Gains (\$)</b> | <b>Accumulated<br/>Earnings (\$)</b> | <b>Dividends<br/>Payable (\$)</b> | <b>Accumulated<br/>Capital and<br/>Other Losses (\$)</b> | <b>Unrealized<br/>Appreciation/<br/>Depreciation (\$)<sup>(1)</sup></b> | <b>Total<br/>Accumulated<br/>Earnings/<br/>(Deficit) (\$)</b> |
|---|---|---|---|--------------------------------------|-----------------------------------|--|---|---|
| Opportunity Fund . . . . .              | —   | —   | 1,220,661   | 1,220,661                            | —                                 | (79,658)   | 174,499   | 1,315,502   |
| Opportunity Fund<br>(Class I) . . . . . | —   | —   | 14,495,104  | 14,495,104                           | —                                 | (332,204)  | 3,668,303   | 17,831,203  |

(1) The differences between book-basis and tax-basis unrealized appreciation/depreciation are attributable primarily to: tax deferral of losses on wash sales, and the return of capital adjustments from real estate investment trusts.

Under current law, capital losses and specified ordinary losses realized after October 31 and non-specified ordinary losses incurred after December 31 (ordinary losses collectively known as “late year ordinary loss”) may be deferred and treated as occurring on the first business day of the following fiscal year. As of the tax year ended October 31, 2016, the following Funds had deferred losses, which will be treated as arising on the first day of the fiscal year ending October 31, 2017.

|                                      | <b>Late Year<br/>Ordinary Losses (\$)</b> |
|--------------------------------------|---|
| Opportunity Fund . . . . .           | 79,658                                    |
| Opportunity Fund (Class I) . . . . . | 332,204                                   |

The amount and character of net investment income and net realized gains distributions are determined in accordance with federal income tax regulations which may differ from GAAP. These “book/tax” differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature (e.g., reclassification of market discounts, certain gain/loss, and certain distributions), such amounts are reclassified within the composition of net assets; temporary differences (e.g., wash losses and post-October loss deferrals) do not require reclassification. The Funds may utilize equalization accounting for tax purposes and designate earnings and profits, including net realized gains distributed to shareholders on redemption of shares, as a part of the dividends paid deduction for income tax purposes. To the extent distributions to shareholders from net investment income and net realized gains exceed net investment income and net realized gains for tax purposes, they are reported as distributions of capital.

On the Statements of Assets and Liabilities, as a result of permanent book-to-tax differences, reclassification adjustments were made as follows:

|                                      | <u>Accumulated Net Investment<br/>Income/(Distributions in Excess<br/>of Net Investment Income) (\$)</u> | <u>Accumulated<br/>Net Realized<br/>Gains/(Losses) (\$)</u> | <u>Paid-In<br/>Capital (\$)</u> |
|--------------------------------------|--|---|---------------------------------|
| Opportunity Fund . . . . .           | 177,537  | —   | (177,537)                       |
| Opportunity Fund (Class I) . . . . . | 590,716  | —   | (590,716)                       |

The reclassification for the Funds primarily relate to net investment loss.

**7. Significant Shareholders:**

Shareholders, including other funds, individuals, and accounts, as well as the Fund’s investment manager(s) and/or investment personnel, may from time to time own (beneficially or of record) a significant percentage of the Fund’s Shares and can be considered to “control” the Fund when that ownership exceeds 25% of the Fund’s assets (and which may differ from control as determined in accordance with accounting principles generally accepted in the United States of America).

The following list includes the Funds which had individual shareholder accounts with ownership of voting securities greater than 10% of the total outstanding voting securities but less than 25% and/or accounts with ownership of voting securities greater than 25% of the total outstanding voting securities. Significant transactions by these shareholder accounts may negatively impact the Funds’ performance.

| <u>Fund</u>                          | <u>Number of shareholders<br/>with ownership of voting<br/>securities of the Portfolio<br/>greater than 10% and<br/>less than 25% of the total<br/>Portfolio's outstanding<br/>voting securities</u> | <u>Number of shareholders<br/>with ownership of voting<br/>securities of the Portfolio<br/>greater than 25%<br/>of the total<br/>Portfolio's outstanding<br/>voting securities</u> |
|--------------------------------------|--|--|
| Opportunity Fund . . . . .           | 1  | 1  |
| Opportunity Fund (Class I) . . . . . | 5  | —  |

**8. Subsequent Events:**

Management has evaluated subsequent events through the date these financial statements were issued. Based on the evaluation, no adjustments or additional disclosures were required to the financial statements as of October 31, 2016.

## **Report of Independent Registered Public Accounting Firm**

To the Board of Trustees and Shareholders of  
HSBC Funds

In our opinion, the accompanying statements of assets and liabilities and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the HSBC Opportunity Fund and the HSBC Opportunity Fund (Class I) (formerly referred to as HSBC Opportunity Fund (Advisor)) (each a portfolio of HSBC Funds, and hereafter collectively referred to as the "Funds") as of October 31, 2016, the results of each of their operations for the year then ended and the changes in each of their net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities as of October 31, 2016 by correspondence with the custodian and transfer agents, provide a reasonable basis for our opinion. The accompanying financial highlights for each of the years ended on or prior to October 31, 2014 were audited by other auditors whose report dated December 23, 2014 expressed an unqualified opinion on those financial highlights.

PricewaterhouseCoopers LLP  
New York, New York  
December 23, 2016

**Table of Shareholder Expenses—as of October 31, 2016 Unaudited**

As a shareholder of the Funds, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchases, redemption fees and exchange fees; and (2) ongoing costs, including management fees, distribution fees and /or shareholder servicing fees and other Fund expenses (including expenses allocated from the Portfolio). These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these cost with the ongoing costs of investing in other mutual funds.

These examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from May 1, 2016 through October 31, 2016.

**Actual Example**

The table below provides information about actual account values and actual expenses. You may use the information below, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

|                                      |                | <b>Beginning<br/>Account Value<br/>5/1/16</b> | <b>Ending<br/>Account Value<br/>10/31/16</b> | <b>Expenses Paid<br/>During Period*<br/>5/1/16 - 10/31/16</b> | <b>Annualized<br/>Expense Ratio<br/>During Period<br/>5/1/16 - 10/31/16</b> |
|--------------------------------------|----------------|---|--|---|---|
| Opportunity Fund . . . . .           | Class A Shares | 1,000.00                                      | 1,008.10                                     | 7.82  | 1.55%   |
|                                      | Class B Shares | 1,000.00                                      | 1,004.50                                     | 11.59   | 2.30%   |
|                                      | Class C Shares | 1,000.00                                      | 1,004.30                                     | 11.59   | 2.30%   |
| Opportunity Fund (Class I) . . . . . | Class I Shares | 1,000.00                                      | 1,010.70                                     | 5.56  | 1.10%   |

\* Expenses are equal to the average account value over the period, multiplied by the Fund’s annualized expense ratio, multiplied by 184/366 (to reflect the one half year period).

# HSBC FAMILY OF FUNDS

## Table of Shareholder Expenses—as of October 31, 2016 Unaudited (continued)

### Hypothetical Example for Comparison Purposes

The table below provides information about hypothetical account values and hypothetical expenses based on each Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

|                                      |                | <b>Beginning<br/>Account Value<br/>5/1/16</b> | <b>Ending<br/>Account Value<br/>10/31/16</b> | <b>Expenses Paid<br/>During Period*</b><br>5/1/16 - 10/31/16 | <b>Annualized<br/>Expense Ratio<br/>During Period</b><br>5/1/16 - 10/31/16 |
|--------------------------------------|----------------|---|--|--|--|
| Opportunity Fund . . . . .           | Class A Shares | 1,000.00                                      | 1,017.34                                     | 7.86   | 1.55%  |
|                                      | Class B Shares | 1,000.00                                      | 1,013.57                                     | 11.64  | 2.30%  |
|                                      | Class C Shares | 1,000.00                                      | 1,013.57                                     | 11.64  | 2.30%  |
| Opportunity Fund (Class I) . . . . . | Class I Shares | 1,000.00                                      | 1,019.61                                     | 5.58   | 1.10%  |

\* Expenses are equal to the average account value over the period, multiplied by the Fund's annualized expense ratio, multiplied by 184/366 (to reflect the one half year period).



## Portfolio Composition\* October 31, 2016 (Unaudited)

### HSBC Opportunity Portfolio

| Investment Allocation                          | Percentage of Investments at Value (%) |
|--|--|
| Health Care Equipment & Supplies               | 6.9                                    |
| Media  | 6.0                                    |
| Hotels, Restaurants & Leisure                  | 5.9                                    |
| Software                                       | 5.8                                    |
| Capital Markets                                | 4.6                                    |
| Semiconductors & Semiconductor Equipment       | 4.6                                    |
| Biotechnology                                  | 4.3                                    |
| Building Products                              | 4.2                                    |
| Professional Services                          | 3.7                                    |
| Investment Companies                           | 3.6                                    |
| IT Services                                    | 3.6                                    |
| Pharmaceuticals                                | 3.6                                    |
| Chemicals                                      | 3.6                                    |
| Health Care Providers & Services               | 3.5                                    |
| Road & Rail                                    | 3.2                                    |
| Aerospace & Defense                            | 2.8                                    |
| Life Sciences Tools & Services                 | 2.8                                    |
| Internet Software & Services                   | 2.3                                    |
| Insurance                                      | 2.2                                    |
| Equity Real Estate Investment Trusts           | 2.1                                    |
| Distributors                                   | 2.1                                    |
| Machinery                                      | 1.9                                    |
| Trading Companies & Distributors               | 1.9                                    |
| Mortgage Real Estate Investment Trusts         | 1.7                                    |
| Food Products                                  | 1.7                                    |
| Banks  | 1.6                                    |
| Airlines                                       | 1.5                                    |
| Diversified Telecommunication Services         | 1.4                                    |
| Oil, Gas & Consumable Fuels                    | 1.3                                    |
| Construction Materials                         | 1.0                                    |
| Commercial Services & Supplies                 | 1.0                                    |
| Diversified Consumer Services                  | 1.0                                    |
| Construction & Engineering                     | 1.0                                    |
| Textiles, Apparel & Luxury Goods               | 0.9                                    |
| Electronic Equipment, Instruments & Components | 0.7                                    |
| <b>Total</b>                                   | <b>100.0</b>                           |

\* Portfolio composition is subject to change.

# HSBC OPPORTUNITY PORTFOLIO

## Schedule of Portfolio Investments—as of October 31, 2016

### Common Stocks – 94.8%

|  | Shares  | Value (\$)       |
|--|---------|------------------|
| <b>Aerospace &amp; Defense – 2.8%</b>                            |         |                  |
| BE Aerospace, Inc. . . . .                                       | 42,740  | 2,543,885        |
| TransDigm Group, Inc. . . . .                                    | 6,151   | 1,675,901        |
|  |         | <u>4,219,786</u> |
| <b>Airlines – 1.5%</b>   |         |                  |
| Allegiant Travel Co. . . . .                                     | 16,327  | 2,251,493        |
| <b>Banks – 1.5%</b>  |         |                  |
| First Republic Bank . . . . .                                    | 31,080  | 2,313,284        |
| <b>Biotechnology – 4.3%</b>                                      |         |                  |
| Alkermes plc (a) . . . . .                                       | 26,820  | 1,351,996        |
| ARIAD Pharmaceuticals, Inc. (a) . . . . .                        | 204,360 | 1,782,019        |
| Merrimack Pharmaceuticals, Inc. (a) . . . . .                    | 223,350 | 1,165,887        |
| Neurocrine Biosciences, Inc. (a) . . . . .                       | 48,660  | 2,129,848        |
|  |         | <u>6,429,750</u> |
| <b>Building Products – 4.2%</b>                                  |         |                  |
| A.O. Smith Corp. . . . .   | 41,560  | 1,877,265        |
| Builders FirstSource, Inc. (a) . . . . .                         | 219,680 | 2,124,306        |
| Lennox International, Inc. . . . .                               | 15,835  | 2,310,168        |
|  |         | <u>6,311,739</u> |
| <b>Capital Markets – 4.6%</b>                                    |         |                  |
| Affiliated Managers Group, Inc. (a) . . . . .                    | 11,085  | 1,470,536        |
| MSCI, Inc. . . . .   | 33,290  | 2,669,525        |
| Raymond James Financial, Inc. . . . .                            | 45,980  | 2,764,318        |
|  |         | <u>6,904,379</u> |
| <b>Chemicals – 3.5%</b>  |         |                  |
| Axalta Coating Systems Ltd. (a) . . . . .                        | 123,470 | 3,101,567        |
| W.R. Grace & Co. . . . .   | 32,740  | 2,192,270        |
|  |         | <u>5,293,837</u> |
| <b>Commercial Services &amp; Supplies – 1.0%</b>                 |         |                  |
| Knoll, Inc. . . . .  | 70,930  | 1,534,925        |
| <b>Construction &amp; Engineering – 1.0%</b>                     |         |                  |
| MasTec, Inc. (a) . . . . .                                       | 51,600  | 1,473,180        |
| <b>Construction Materials – 1.0%</b>                             |         |                  |
| Summit Materials, Inc., Class A (a) . . . . .                    | 82,680  | 1,549,423        |
| <b>Distributors – 2.0%</b>                                       |         |                  |
| LKQ Corp. (a) . . . . .  | 95,700  | 3,089,196        |
| <b>Diversified Consumer Services – 1.0%</b>                      |         |                  |
| Nord Anglia Education, Inc. (a) . . . . .                        | 70,760  | 1,524,170        |
| <b>Diversified Telecommunication Services – 1.4%</b>             |         |                  |
| Zayo Group Holdings, Inc. (a) . . . . .                          | 66,420  | 2,137,396        |
| <b>Electronic Equipment, Instruments &amp; Components – 0.7%</b> |         |                  |
| VeriFone Systems, Inc. (a) . . . . .                             | 69,000  | 1,068,120        |
| <b>Equity Real Estate Investment Trusts – 2.1%</b>               |         |                  |
| Apartment Investment & Management Co., Class A . . . . .         | 17,460  | 769,462          |
| Cyrusone, Inc. . . . .   | 15,920  | 710,191          |
| STAG Industrial, Inc. . . . .                                    | 70,590  | 1,628,512        |
|  |         | <u>3,108,165</u> |

### Common Stocks, continued

|  | Shares  | Value (\$)        |
|--|---------|-------------------|
| <b>Food Products – 1.6%</b>                          |         |                   |
| Hain Celestial Group, Inc. (a) . . . . .             | 21,550  | 783,774           |
| Pinnacle Foods, Inc. . . . .                         | 33,120  | 1,703,030         |
|  |         | <u>2,486,804</u>  |
| <b>Health Care Equipment &amp; Supplies – 6.7%</b>   |         |                   |
| Align Technology, Inc. (a) . . . . .                 | 26,050  | 2,238,216         |
| DexCom, Inc. (a) . . . . .                           | 29,130  | 2,279,131         |
| STERIS plc . . . . .                                 | 49,900  | 3,334,318         |
| Wright Medical Group NV (a) . . . . .                | 103,318 | 2,263,697         |
|  |         | <u>10,115,362</u> |
| <b>Health Care Providers &amp; Services – 3.4%</b>   |         |                   |
| Quest Diagnostics, Inc. . . . .                      | 38,060  | 3,099,606         |
| Team Health Holdings, Inc. (a) . . . . .             | 48,110  | 2,061,514         |
|  |         | <u>5,161,120</u>  |
| <b>Hotels, Restaurants &amp; Leisure – 5.8%</b>      |         |                   |
| Aramark . . . . .                                    | 76,800  | 2,859,264         |
| Jack in the Box, Inc. . . . .                        | 23,680  | 2,219,526         |
| Vail Resorts, Inc. . . . .                           | 21,975  | 3,503,694         |
|  |         | <u>8,582,484</u>  |
| <b>Insurance – 2.2%</b>                              |         |                   |
| Assurant, Inc. . . . .                               | 40,710  | 3,277,969         |
| <b>Internet Software &amp; Services – 2.2%</b>       |         |                   |
| Costar Group, Inc. (a) . . . . .                     | 12,120  | 2,267,894         |
| Shopify, Inc. (a) . . . . .                          | 27,330  | 1,132,829         |
|  |         | <u>3,400,723</u>  |
| <b>IT Services – 3.5%</b>                            |         |                   |
| Sabre Corp. . . . .                                  | 81,060  | 2,093,780         |
| Total System Services, Inc. . . . .                  | 64,970  | 3,240,703         |
|  |         | <u>5,334,483</u>  |
| <b>Life Sciences Tools &amp; Services – 2.8%</b>     |         |                   |
| Mettler-Toledo International, Inc. (a) . . . . .     | 10,421  | 4,210,918         |
| <b>Machinery – 1.9%</b>                              |         |                   |
| Middleby Corp. (a) . . . . .                         | 25,540  | 2,863,289         |
| <b>Media – 5.9%</b>                                  |         |                   |
| Interpublic Group of Cos., Inc. . . . .              | 86,340  | 1,933,153         |
| Lions Gate Entertainment Corp. . . . .               | 100,300 | 2,042,107         |
| Live Nation Entertainment, Inc. (a) . . . . .        | 42,220  | 1,168,227         |
| Nexstar Broadcasting Group, Inc., Class A . . . . .  | 37,550  | 1,832,440         |
| Scripps Networks Interactive. . . . .                | 29,030  | 1,868,371         |
|  |         | <u>8,844,298</u>  |
| <b>Mortgage Real Estate Investment Trusts – 1.7%</b> |         |                   |
| Starwood Property Trust, Inc. . . . .                | 115,890 | 2,577,394         |
| <b>Oil, Gas &amp; Consumable Fuels – 1.3%</b>        |         |                   |
| Tesoro Corp. . . . .                                 | 23,340  | 1,983,200         |
| <b>Pharmaceuticals – 3.5%</b>                        |         |                   |
| Jazz Pharmaceuticals plc (a) . . . . .               | 25,398  | 2,780,319         |
| Nektar Therapeutics (a) . . . . .                    | 85,290  | 1,057,596         |
| Pacira Pharmaceuticals, Inc. (a) . . . . .           | 46,620  | 1,482,516         |
|  |         | <u>5,320,431</u>  |

# HSBC OPPORTUNITY PORTFOLIO

Schedule of Portfolio Investments— as of October 31, 2016 (continued)

## Common Stocks, continued

|   | Shares    | Value (\$)                  |
|---|-----------|-----------------------------|
| <b>Professional Services – 3.6%</b>   |           |                             |
| IHS Markit Ltd. (a) . . . . .   | 79,628    | 2,929,514                   |
| Transunion (a) . . . . .  | 83,270    | 2,601,355                   |
|   |           | <u>5,530,869</u>            |
| <b>Road &amp; Rail – 3.2%</b>   |           |                             |
| J.B. Hunt Transportation<br>Services, Inc. . . . .  | 31,050    | 2,533,991                   |
| Old Dominion Freight Line, Inc. (a) . . . . .   | 30,650    | 2,288,942                   |
|   |           | <u>4,822,933</u>            |
| <b>Semiconductors &amp; Semiconductor Equipment – 4.5%</b>  |           |                             |
| KLA-Tencor Corp. . . . .  | 17,030    | 1,279,123                   |
| Microsemi Corp. (a) . . . . .   | 59,170    | 2,492,832                   |
| On Semiconductor Corp. (a) . . . . .  | 264,030   | 3,081,231                   |
|   |           | <u>6,853,186</u>            |
| <b>Software – 5.6%</b>  |           |                             |
| Cyberark Software Ltd. (a) . . . . .  | 33,630    | 1,572,203                   |
| Fleetmatics Group plc (a) . . . . .   | 18,560    | 1,111,744                   |
| Fortinet, Inc. (a) . . . . .  | 85,150    | 2,729,909                   |
| Splunk, Inc. (a) . . . . .  | 52,320    | 3,149,141                   |
|   |           | <u>8,562,997</u>            |
| <b>Textiles, Apparel &amp; Luxury Goods – 0.9%</b>  |           |                             |
| Lululemon Athletica, Inc. (a) . . . . .   | 23,850    | 1,365,413                   |
| <b>Trading Companies &amp; Distributors – 1.9%</b>  |           |                             |
| HD Supply Holdings, Inc. (a) . . . . .  | 86,510    | 2,854,830                   |
| <b>TOTAL COMMON STOCKS</b><br><b>(COST \$137,395,745) . . . . .</b>                                 |           | <b><u>143,357,546</u></b>   |
| <b>Investment Company – 3.6%</b>  |           |                             |
| Northern Institutional Government<br>Select Portfolio, Institutional<br>Shares, 0.25% (b) . . . . . | 5,399,101 | 5,399,101                   |
| <b>TOTAL INVESTMENT COMPANY</b><br><b>(Cost \$5,399,101) . . . . .</b>                              |           | <b><u>5,399,101</u></b>     |
| <b>TOTAL INVESTMENT SECURITIES</b><br><b>(Cost \$142,794,846) – 98.4% . . . . .</b>                 |           | <b><u>148,756,647</u></b>   |
| <b>Other Assets (Liabilities) – 1.6% . . . . .</b>  |           | <b><u>2,471,352</u></b>     |
| <b>NET ASSETS – 100% . . . . .</b>  |           | <b><u>\$151,227,999</u></b> |

(a) Represents non-income producing security.

(b) The rate represents the annualized one-day yield that was in effect on October 31, 2016.

# HSBC FAMILY OF FUNDS

Statement of Assets and Liabilities— as of October 31, 2016

|  | HSBC<br>Opportunity<br>Portfolio |
|--|----------------------------------|
| <b>Assets:</b>   |                                  |
| Investment securities, at value                                | \$148,756,647                    |
| Dividends receivable   | 168,500                          |
| Receivable for investments sold                                | 3,551,860                        |
| Prepaid expenses   | 1,138                            |
| <b>Total Assets</b>  | <u>152,478,145</u>               |
| <b>Liabilities:</b>  |                                  |
| Payable for investments purchased                              | 1,115,114                        |
| Accrued expenses and other liabilities:                        |                                  |
| Investment Management  | 33,576                           |
| Sub-Advisory   | 73,866                           |
| Administration   | 2,539                            |
| Accounting   | 3,619                            |
| Custodian  | 2,486                            |
| Professional   | 18,684                           |
| Other  | 262                              |
| <b>Total Liabilities</b>                                       | <u>\$ 1,250,146</u>              |
| <b>Net Assets Applicable to investors' beneficial interest</b> | <u>\$151,227,999</u>             |
| Total Investments, at cost                                     | <u>\$142,794,846</u>             |

# HSBC FAMILY OF FUNDS

Statement of Operations—For the year ended October 31, 2016

|   | Opportunity<br>Portfolio |
|---|--------------------------|
| <b>Investment Income:</b>                                       |                          |
| Dividends   | \$ 1,918,923             |
| Foreign tax withholding   | (972)                    |
| <b>Total Investment Income</b>                                  | <u>1,917,951</u>         |
| <b>Expenses:</b>  |                          |
| Investment Management Fees                                      | 543,171                  |
| Sub-Advisory Fees   | 1,194,976                |
| Administration  | 46,105                   |
| Accounting  | 41,983                   |
| Compliance Services   | 2,226                    |
| Custodian   | 28,026                   |
| Printing  | 7,645                    |
| Professional  | 54,458                   |
| Trustee   | 4,817                    |
| Other   | 17,794                   |
| <b>Total Expenses</b>   | <u>1,941,201</u>         |
| <b>Net Investment Income/(Loss)</b>                             | <u>\$ (23,250)</u>       |
| <b>Net Realized/Unrealized Gains/(Losses) from Investments:</b> |                          |
| Net realized gains/(losses) from investment securities          | 15,124,128               |
| Change in unrealized appreciation/depreciation on investments   | <u>(22,151,444)</u>      |
| Net realized/unrealized gains/(losses) on investments           | <u>(7,027,316)</u>       |
| <b>Change in Net Assets Resulting from Operations</b>           | <u>\$ (7,050,566)</u>    |

# HSBC FAMILY OF FUNDS

## Statements of Changes in Net Assets

|   | Opportunity Portfolio                  |  |
|---|--|--|
|   | For the year ended<br>October 31, 2016 | For the year ended<br>October 31, 2015 |
| <b>Investment Activities:</b>   |  |  |
| <b>Operations:</b>  |  |  |
| Net investment income/(loss)  | \$ (23,250)                            | \$ (452,147)                           |
| Net realized gains/(losses) from investments  | 15,124,128                             | (1,376,839)                            |
| Change in unrealized appreciation/depreciation on investments                             | (22,151,444)                           | (3,071,831)                            |
| <b>Change in net assets resulting from operations</b>                                     | <u>(7,050,566)</u>                     | <u>(4,900,817)</u>                     |
| Proceeds from contributions   | 36,125,614                             | 45,265,828                             |
| Value of withdrawals  | (115,441,791)                          | (25,351,444)                           |
| <b>Change in net assets resulting from transactions in investors' beneficial interest</b> | <u>(79,316,177)</u>                    | <u>19,914,384</u>                      |
| <b>Change in net assets</b>   | <u>(86,366,743)</u>                    | <u>15,013,567</u>                      |
| <b>Net Assets:</b>  |  |  |
| Beginning of period   | 237,594,742                            | 222,581,175                            |
| End of period   | <u>\$ 151,227,999</u>                  | <u>\$237,594,742</u>                   |

# HSBC FAMILY OF FUNDS

## Financial Highlights

|                              | Ratios/Supplementary Data |                                     |   |   |  |                    |
|------------------------------|---------------------------|-------------------------------------|---|---|--|--------------------|
|                              | Total Return              | Net Assets at End of Period (000's) | Ratio of Net Expenses to Average Net Assets | Ratio of Net Investment Income/(Loss) to Average Net Assets | Ratio of Expenses to Average Net Assets (Excluding Fee Reductions) | Portfolio Turnover |
| <b>OPPORTUNITY PORTFOLIO</b> |                           |                                     |   |   |  |                    |
| Year Ended October 31, 2016  | (3.14)%                   | \$151,228                           | 0.89%                                       | (0.01)%   | 0.89%  | 96%                |
| Year Ended October 31, 2015  | (1.57)%                   | 237,595                             | 0.88%                                       | (0.19)%   | 0.88%  | 63%                |
| Year Ended October 31, 2014  | 12.26%                    | 222,581                             | 0.88%                                       | (0.37)%   | 0.88%  | 66%                |
| Year Ended October 31, 2013  | 34.84%                    | 227,069                             | 0.89%                                       | 0.17%   | 0.89%  | 70%                |
| Year Ended October 31, 2012  | 12.71%                    | 150,059                             | 0.91%                                       | 0.15%   | 0.91%  | 59%                |

### 1. Organization:

The HSBC Funds (the “Trust”), a Delaware statutory trust organized on March 2, 2016, is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company. Effective June 24, 2016, the Portfolio (as defined below), which was a series of the Portfolio Trust, a New York trust under the laws of the State of New York, reorganized with and into a corresponding series of the Trust (the “Reorganization”). The series of the Trust into which the Funds reorganized had no assets, liabilities, or operations prior to the Reorganization. Upon completion of the Reorganization, the Portfolio assumed the performance, financial and other historical information of its corresponding predecessor series. As of October 31, 2016, the Trust is composed of 19 separate operational funds, each a series of the HSBC Family of Funds. The accompanying financial statements are presented for the HSBC Opportunity Portfolio (the “Portfolio”):

The Portfolio operates as a master fund in master-feeder arrangements, in which other feeder funds invest all or part of their investable assets in the Portfolio. The Declaration of Trust permits the Board of Trustees (the “Board”) to issue an unlimited number of beneficial interests in the Portfolio.

The Portfolio is a diversified series of the Trust. Financial statements for all other funds of the Trust are published separately.

The following represents each feeder fund’s proportionate ownership interest in the Portfolio:

| <u>Feeder Fund</u>              | <u>Proportionate<br/>Ownership<br/>Interest on<br/>October 31, 2016 (%)</u> |
|---------------------------------|---|
| HSBC Opportunity Fund           | 6.5   |
| HSBC Opportunity Fund (Class I) | 93.5  |

Under the Trust’s organizational documents, the Trust’s officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Portfolio. In addition, in the normal course of business, the Trust may enter into contracts with its service providers, which also provide for indemnifications by the Portfolio. The Portfolio’s maximum exposure under these arrangements is unknown as this would involve any future claims that may be made against the Portfolio. However, based on experience, the Trust expects the risk of loss to be remote.

The Portfolio is an investment company and follows accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, “Financial Services-Investment Companies.”

### 2. Significant Accounting Policies:

The following is a summary of the significant accounting policies followed by the Portfolio in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles (“GAAP”) in the United States of America. The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

#### Securities Valuation:

The Portfolio records its investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques used to determine fair value are further described in Note 3 below.



**Investment Transactions and Related Income:**

Investment transactions are accounted for no later than one business day after trade date. However, for financial reporting purposes, investment transactions are accounted for on trade date. Investment gains and losses are calculated on the identified cost basis. Interest income is recognized on the accrual basis and includes, where applicable, the amortization or accretion of premium or discount. Dividend income is recorded on the ex-dividend date.

The Portfolio makes an allocation of its investment income, expenses and realized gains and losses from securities transactions to its investors in proportion to their investment in the Portfolio on the date of such accrual or gain/loss.

**Expense Allocations:**

Expenses directly attributable to the Portfolio are charged to the Portfolio. Expenses not directly attributable to the Portfolio are allocated proportionately among the Portfolio and applicable funds within the Trust in relation to the net assets of each fund or on another reasonable basis.

**Federal Income Taxes:**

The Portfolio is treated as a partnership for U.S. federal income tax purposes. Accordingly, the Portfolio passes through all of its net investment income and gains and losses to its feeder funds, and is therefore not subject to U.S. federal income tax. As such, investors in the Portfolio are allocated for tax purposes their respective share of the Portfolio's ordinary income and realized gains or losses. It is intended that the Portfolio will be managed in such a way that an investor will be able to satisfy the requirements of the Internal Revenue Code, as amended, applicable to regulated investment companies.

Management of the Portfolio has reviewed tax positions taken in tax years that remain subject to examination by all major tax jurisdictions, including federal (i.e., the last four tax year ends and the interim tax period since then, as applicable). Management believes that there is no tax liability resulting from unrecognized tax benefits related to uncertain tax positions taken. Management's conclusions may be subject to future review based on changes in, or interpretation of, accounting standards or tax laws and regulations.

**3. Investment Valuation Summary:**

The valuation techniques employed by the Portfolio, as described below, maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. The Portfolio's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs used for valuing the Portfolio's investments are summarized in the three broad levels listed below:

- Level 1—quoted prices in active markets for identical assets
- Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments speeds, credit risk, etc.)
- Level 3—significant unobservable inputs (including a Portfolio's own assumptions in determining the fair value of investments)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The Trust's policy is to disclose transfers between fair value hierarchy levels based on valuations at the end of the reporting period. There were no transfers between levels as of October 31, 2016, from the valuation input levels used on October 31, 2015. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

Exchange traded domestic equity securities are valued at the last sales price on a national securities exchange, or in the absence of recorded sales, at the readily available closing bid price on such exchanges, or at the quoted bid price in the over-the-counter market and are typically categorized as Level 1 in the fair value hierarchy.

Shares of exchange traded and closed-end registered investment companies are valued in the same manner as other equity securities and are typically categorized as Level 1 in the fair value hierarchy. Mutual funds are valued at their net asset values (“NAVs”), as reported by such companies and are typically categorized as Level 1 in the fair value hierarchy.

Securities or other assets for which market quotations are not readily available, or are deemed unreliable due to a significant event or otherwise, are valued pursuant to procedures adopted by the Trust’s Board (“Procedures”). Depending on the source and relative significance of valuation inputs, these instruments may be classified as Level 2 or Level 3 in the fair value hierarchy. Examples of potentially significant events that could affect the value of an individual security and thus require pricing under the Procedures include corporate actions by the issuer, announcements by the issuer relating to its earnings or products, regulatory news, natural disasters, and litigation. Examples of potentially significant events that could affect multiple securities held by the Portfolio include governmental actions, natural disasters, and armed conflicts. Fair value pricing may require subjective determinations about the value of a security. While the Trust’s policy is intended to result in a calculation of the Portfolio’s NAV that fairly reflects security values as of the time of pricing, the Trust cannot ensure that fair values determined would accurately reflect the price that the Portfolio could obtain for a security if it were to dispose of that security as of the time of pricing. The prices used by the Portfolio may differ from the value that would be realized if the securities were sold and the differences could be material to the financial statements.

As of October 31, 2016, all investments were categorized as Level 1 in the fair value hierarchy. The breakdown of investment categorization is disclosed in the Schedule of Portfolio Investments.

#### 4. Related Party Transactions and Other Agreements and Plans:

##### Investment Management:

HSBC Global Asset Management (USA) Inc. (“HSBC” or the “Investment Adviser”), a wholly owned subsidiary of HSBC Bank USA, N.A., a national bank organized under the laws of the United States, acts as Investment Adviser to the Portfolio. As Investment Adviser, HSBC manages the investments of the Portfolio and continuously reviews, supervises, and administers the Portfolio’s investments. Westfield Capital Management Company, L.P. (“Westfield”) serves as subadviser for the Portfolio and is paid for its services directly by the Portfolio.

For their services, the Investment Adviser and Westfield receive in aggregate, a fee, accrued daily and paid monthly, at an annual rate of 0.80% of the Portfolio’s average daily net assets. Currently, the Investment Adviser’s contractual fee is 0.25% and Westfield’s contractual fee is 0.55%.

##### Administration:

HSBC also serves the Portfolio as Administrator. Effective April 1, 2016, under the terms of the Administration Agreement, HSBC receives from the Portfolio (as well as other funds in the Trust combined) a fee, accrued daily and paid monthly, at an annual rate of:

| <u>Based on Average Daily Net Assets of</u>                        | <u>Fee Rate(%)</u> |
|--|--------------------|
| Up to \$10 billion . . . . .                                       | 0.0400             |
| In excess of \$10 billion but not exceeding \$20 billion . . . . . | 0.0350             |
| In excess of \$20 billion but not exceeding \$50 billion . . . . . | 0.0265             |
| In excess of \$50 billion . . . . .                                | 0.0245             |

Prior to April 1, 2016, for these services, HSBC received from the Funds (as well as other funds in the Trust combined) a fee, accrued daily and paid monthly, at an annual rate of:

| <u>Based on Average Daily Net Assets of</u>                        | <u>Fee Rate(%)</u> |
|--|--------------------|
| Up to \$10 billion . . . . .                                       | 0.0550             |
| In excess of \$10 billion but not exceeding \$20 billion . . . . . | 0.0350             |
| In excess of \$20 billion but not exceeding \$50 billion . . . . . | 0.0275             |
| In excess of \$50 billion . . . . .                                | 0.0250             |

The fee rates and breakpoints are determined on the basis of the aggregate average daily net assets of the Trust, however, the assets of the funds of the HSBC Funds that invest in the Portfolio are not double-counted. For the year ended October 31, 2016, the effective annualized rate was 0.04%, prior to any fee waivers or expense reimbursements, based on the average daily net assets of the Trust. The total administration fee paid to HSBC is allocated to each series based upon its proportionate share of the aggregate net assets of the Trust. For assets invested in the Portfolio by the HSBC Funds, the Portfolio pays half of the administration fee and the feeder funds pay half of the administration fee, for a combination of the total fee rate set forth above.

Pursuant to a Sub-Administration Agreement with HSBC, Citi Fund Services Ohio, Inc. (“Citi”), a wholly-owned subsidiary of Citigroup, Inc., serves as the Trust’s Sub-Administrator, subject to the general supervision by the Trust’s Board of Trustees (the “Board”) and HSBC. For these services, Citi is entitled to a fee, payable by HSBC, at an annual rate equivalent to the fee rates set forth above subject to certain reductions associated with services provided to new funds, minus 0.02% which is retained by HSBC.

Under a Compliance Services Agreement between the Trust and Citi (the “CCO Agreement”), Citi makes an employee available to serve as the Trust’s Chief Compliance Officer (the “CCO”). Under the CCO Agreement, Citi also provides infrastructure and support in implementing the written policies and procedures comprising the Trust’s compliance program, including support services to the CCO. For the services provided under the CCO Agreement, the Trust paid Citi \$304,597 for the year ended October 31, 2016, plus reimbursement of certain out-of-pocket expenses. Expenses incurred by the Portfolio are reflected on the Statements of Operations as “Compliance Services.” Citi pays the salary and other compensation earned by individuals performing these services, as employees of Citi.

**Fund Accounting:**

Citi provides fund accounting services for the Portfolio. For its services to the Portfolio, Citi receives an annual fee per portfolio, including reimbursement of certain expenses, that is accrued daily and paid monthly. Citi receives additional fees paid by the Trust for regulatory administration services.

**Independent Trustees:**

The Trust pays an annual retainer to each Independent Trustee, plus additional annual retainers to each Committee Chair and the Chairman of the Board. The Independent Trustees also receive a fee for each regular, special in-person, and telephonic meeting of the Board of Trustees attended. The aggregate amount of the fees and expenses of the Independent Trustees are allocated amongst all the funds in the Trust and are presented in the Statements of Operations.

**Other:**

The Portfolio may purchase securities from an underwriting syndicate in which the principal underwriter or members of the syndicate are affiliated with the Adviser. For the year ended October 31, 2016, the Portfolio did not purchase any such securities.

The Adviser and its affiliates may have lending, banking, brokerage, underwriting, or other business relationships with the issuers of the securities in which the Portfolio invests.

### 5. Investment Transactions:

Cost of purchases and proceeds from sales of securities (excluding securities maturing less than one year from acquisition) for the year ended October 31, 2016 were as follows:

|                                 | <u>Purchases (\$)</u> | <u>Sales (\$)</u> |
|---------------------------------|-----------------------|-------------------|
| Opportunity Portfolio . . . . . | 199,171,191           | 277,727,027       |

### 6. Federal Income Tax Information:

At October 31, 2016, the cost basis of securities for federal income tax purposes, gross unrealized appreciation, gross unrealized depreciation and net unrealized appreciation/depreciation were as follows:

|                                 | <u>Tax Cost (\$)</u> | <u>Tax Unrealized<br/>Appreciation (\$)</u> | <u>Tax Unrealized<br/>Depreciation (\$)</u> | <u>Net Unrealized<br/>Appreciation/<br/>(Depreciation) (\$)*</u> |
|---------------------------------|----------------------|---|---|--|
| Opportunity Portfolio . . . . . | 145,181,828          | 13,368,370                                  | (9,793,551)                                 | 3,574,819  |

\* The difference between book-basis unrealized appreciation (depreciation) is attributable primarily to tax deferral of losses on wash sales.

### 7. Subsequent Events:

Management has evaluated subsequent events through the date these financial statements were issued. Based on the evaluation, no adjustments or additional disclosures were required to the financial statements as of October 31, 2016.

## **Report of Independent Registered Public Accounting Firm**

To the Board of Trustees and Shareholders of  
HSBC Funds

In our opinion, the accompanying statement of assets and liabilities, including the schedule of portfolio investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the HSBC Opportunity Portfolio (a portfolio of HSBC Funds and hereafter referred to as the "Fund") as of October 31, 2016, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities as of October 31, 2016 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion. The accompanying financial highlights for each of the years ended on or prior to October 31, 2014 were audited by other auditors whose report dated December 23, 2014 expressed an unqualified opinion on those financial highlights.

PricewaterhouseCoopers LLP  
New York, New York  
December 23, 2016

# HSBC FAMILY OF FUNDS

## Table of Shareholder Expenses—as of October 31, 2016 (Unaudited):

As a shareholder of the Portfolio, you incur ongoing costs, including management fees and other Fund expenses.

These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

These examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from May 1, 2016 through October 31, 2016.

### Actual Example

The table below provides information about actual account values and actual expenses. You may use the information below, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

|                                | Beginning<br>Account Value<br>5/1/16 | Ending<br>Account Value<br>10/31/16 | Expenses Paid<br>During Period*<br>5/1/16 - 10/31/16 | Annualized<br>Expense Ratio<br>During Period<br>5/1/16 - 10/31/16 |
|--------------------------------|--------------------------------------|-------------------------------------|--|---|
| Opportunity Portfolio. . . . . | 1,000.00                             | 1,011.70                            | 4.65   | 0.92%   |

\* Expenses are equal to the average account value over the period, multiplied by the Portfolio's annualized expense ratio, multiplied by 184/366 (to reflect the one half year period).

### Hypothetical Example for Comparison Purposes

The table below provides information about hypothetical account values and hypothetical expenses based on each Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

|                                | Beginning<br>Account Value<br>5/1/16 | Ending<br>Account Value<br>10/31/16 | Expenses Paid<br>During Period*<br>5/1/16 - 10/31/16 | Annualized<br>Expense Ratio<br>During Period<br>5/1/16 - 10/31/16 |
|--------------------------------|--------------------------------------|-------------------------------------|--|---|
| Opportunity Portfolio. . . . . | 1,000.00                             | 1,020.51                            | 4.67   | 0.92%   |

\* Expenses are equal to the average account value over the period, multiplied by the Portfolio's annualized expense ratio, multiplied by 184/366 (to reflect the one half year period).

### MANAGEMENT OF THE TRUST

The following table contains information regarding the HSBC Family of Funds' Board of Trustees ("Trustees"). The HSBC Family of Funds' Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request by calling (888) 525-5757.

| Name,<br>Address, Age   | Position(s)<br>Held with<br>Funds | Term of Office<br>and Length of<br>Time Served | Principal Occupation(s)<br>During Past 5 Years  | Portfolios in<br>Fund Complex<br>Overseen By<br>Trustee* | Other<br>Directorships<br>Held by Trustee<br>During Past 5 Years   |
|---|-----------------------------------|--|---|--|--|
| <b>NON-INTERESTED TRUSTEES</b>  |                                   |  |   |  |  |
| MARCIA L. BECK<br>P.O. Box 182845<br>Columbus, OH<br>43218-3035<br>Age: 61    | Trustee                           | Indefinite;<br>2008 to present                 | Private Investor (June 1999 – present); Executive Vice President, Prudential Investments (1997 – 1999); President and Trustee, The Goldman Sachs Mutual Funds (1992 – 1996)   | 21   | None   |
| SUSAN C. GAUSE<br>P.O. Box 182845<br>Columbus, OH<br>43218-3035<br>Age: 64    | Trustee                           | Indefinite;<br>2013 to present                 | Private Investor (2003 - present); Chief Executive Officer, Dresdner RCM Global Investors and Allianz Dresdner Asset Management (2000 – 2002); Board Member of Dresdner Global Asset Management Board (2000 – 2002); Chief Operating Officer and Senior Managing Director of Dresdner RCM Global Investors (1998 – 2000); Global Chief Financial Officer, Dresdner RCM Global Investors (1996-1998) | 21   | Met Investors Series Trust and Metropolitan Series Fund  |
| SUSAN S. HUANG<br>P.O. Box 182845<br>Columbus, OH<br>43218-3035<br>Age: 62    | Trustee                           | Indefinite;<br>2008 to present                 | Private Investor (2000- present); Senior Vice President, Schroder Investment Management (2001 – 2004); Managing Director, Chase Asset Management (1995-2000)  | 21   | None   |
| THOMAS F. ROBARDS<br>P.O. Box 182845<br>Columbus, OH<br>43218-3035<br>Age: 70 | Chairman and<br>Trustee           | Indefinite;<br>2005 to present                 | Private Investor (2003-present); Partner, Robards & Co. LLC (investment and advisory services) (2005-present); Chief Financial Officer, American Museum of Natural History (2003-2004); Chief Financial Officer, Datek Online Holdings (2000-2003); Previously EVP and CFO Republic New York Corporation (1976-2000)  | 21   | Ellington Financial LLC (NYSE listed financial services); Ellington Residential Mortgage REIT (NYSE listed real estate investment trust); Overseas Shipholding Group (OSG) (NYSE listed company) |
| <b>INTERESTED TRUSTEE</b>   |                                   |  |   |  |  |
| DEBORAH HAZELL<br>452 Fifth Avenue<br>New York<br>NY 10018<br>Age: 53         | Trustee                           | Indefinite;<br>2011 to present                 | CEO, HSBC Global Asset Management (USA) Inc. (2011-present); President and CEO, Fisher Francis Trees & Watts ("FFTW") (investment advisor) (2008-2011); Client Service, Business Development and Marketing Group, FFTW (1999-2008)  | 21   | None   |

\* Includes all series of the HSBC Funds.

# HSBC FAMILY OF FUNDS

## Board of Trustees and Officers (Unaudited) (continued)

| Name, Address, Age   | Position(s) Held<br>Funds   | Term of Office and<br>Length of Time Served | Principal Occupation(s)<br>During Past 5 Years   |
|--|-----------------------------|---|--|
| <b>OFFICERS</b>  |                             |   |  |
| RICHARD A. FABIETTI<br>452 Fifth Avenue<br>New York, NY 10018<br>Age: 58             | President                   | One year;<br>2004 to present                | Senior Vice President, HSBC Global Asset Management (USA) Inc. (1998 - present)  |
| JAMES D. LEVY<br>452 Fifth Avenue<br>New York, NY 10018<br>AGE:53                    | Vice President              | One year;<br>2014 to present                | Vice President, Product Management, HSBC Global Asset Management (USA) Inc. (2014 – present); Vice President, Mutual Funds Product Development, GE Asset Management Inc. (2007 – 2014) |
| SCOTT RHODES*<br>3435 Stelzer Road<br>Columbus, OH 43219-3035<br>Age: 57             | Treasurer                   | One year;<br>2014 to present                | Senior Vice President, Citi Fund Services (2010 - present)   |
| IOANNIS TZOUGANATOS*<br>100 Summer Street, Suite 1500<br>Boston, MA 02110<br>AGE: 40 | Secretary                   | One Year;<br>2015 to present                | Vice President, Regulatory Administration, Citi Fund Services (2008-present)   |
| CHARLES BOOTH*<br>3435 Stelzer Road<br>Columbus, OH 43219-3035<br>Age: 56            | Chief Compliance<br>Officer | One year;<br>2015 to present                | Director and Compliance Officer, CCO Services, Citi Fund Services (1988 - present)   |

\* Mr. Rhodes, Mr. Tzouganatos, and Mr. Booth also are officers of other investment companies of which Citi (or an affiliate) is the administrator or sub-administrator.



**Other Information (Unaudited):**

Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30th is available (i) without charge, upon request, by calling 1-800-525-5757 for HSBC Bank USA and HSBC Brokerage (USA) Inc. clients and 1-800-782-8183 for all other shareholders; (ii) on the Funds' website at [www.investorfunds.us.hsbc.com](http://www.investorfunds.us.hsbc.com); and (iii) on the Securities and Exchange Commission's ("Commission") website at <http://www.sec.gov>.

The Funds file their complete schedules of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the Commission's website at <http://www.sec.gov>. The Funds' Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Funds' Schedules of Investments will be available no later than 60 days after each period end, without charge, on the Funds' website at [www.investorfunds.us.hsbc.com](http://www.investorfunds.us.hsbc.com).

An investment in a Fund is not a deposit of HSBC Bank USA, National Association, and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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**HSBC FAMILY OF FUNDS:****INVESTMENT ADVISER AND ADMINISTRATOR**

HSBC Global Asset Management (USA) Inc.  
452 Fifth Avenue  
New York, NY 10018

**SUB-ADVISER**

*HSBC Opportunity Portfolio*  
Westfield Capital Management Company, L.P.  
One Financial Center  
Boston, MA 02111

**SHAREHOLDER SERVICING AGENTS****For HSBC Bank USA, N.A. and HSBC Securities (USA) Inc. Clients**

HSBC Bank USA, N.A.  
452 Fifth Avenue  
New York, NY 10018  
1-888-525-5757

**For All Other Shareholders**

HSBC Funds  
P.O. Box 8106  
Boston, MA 02266-8106  
1-800-782-8183

**TRANSFER AGENT**

Boston Financial Data Services, Inc.  
2000 Crown Colony Drive  
Quincy, MA 02169

**DISTRIBUTOR**

Foreside Distribution Services, L.P.  
690 Taylor Road, Suite 150  
Gahanna, OH 43230

**CUSTODIAN**

The Northern Trust Company  
50 South LaSalle Street  
Chicago, IL 60603

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

PricewaterhouseCoopers LLP  
300 Madison Avenue  
New York, NY 10017

**LEGAL COUNSEL**

Dechert LLP  
1900 K Street, N.W.  
Washington, D.C. 20006

**Investment products:**

|  |                             |   |
|--|-----------------------------|---|
| <b>ARE NOT A BANK DEPOSIT OR OBLIGATION OF THE BANK OR ANY OF ITS AFFILIATES</b> | <b>ARE NOT FDIC INSURED</b> | <b>ARE NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY</b> |
| <b>ARE NOT GUARANTEED BY THE BANK OR ANY OF ITS AFFILIATES</b>                   |                             | <b>MAY LOSE VALUE</b>                                   |

Investment products are offered by HSBC Securities (USA) Inc. (HSI), member NYSE/FINRA/SIPC. HSI is an affiliate of HSBC Bank USA, N.A. Investment products: Are not a deposit or other obligation of the bank or any of its affiliates; Not FDIC insured or insured by any federal government agency of the United States; Not guaranteed by the bank or any of its affiliates; and are subject to investment risk, including possible loss of principal invested.

**Investors should consider the investment objectives, risks, charges, and expenses of the investment company carefully before investing. The prospectus contains this and other important information about the investment company. For clients of HSBC Securities (USA) Inc., please call 1-888-525-5757 for more information. For other investors and prospective investors, please call the Funds directly at 1-800-782-8183 or visit our website at [www.investorfunds.us.hsbc.com](http://www.investorfunds.us.hsbc.com). Investors should read the prospectus carefully before investing or sending money.**