

IMPORTANT: This letter requires your attention. If you have any questions about the content of this letter, you should seek independent professional advice. Schroder Investment Management (Hong Kong) Limited (“the Manager”) accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Unless otherwise stated herein, capitalised terms in this letter shall have the same meaning(s) as defined in the Explanatory Memorandum of the Schroder Asian Asset Income Fund dated June 2016, as amended and supplemented from time to time (the “**Explanatory Memorandum**”).

17 February 2017

Dear Unitholders

SCHRODER UMBRELLA FUND II (the “Fund”) - SCHRODER ASIAN ASSET INCOME FUND (the “Sub-Fund”)

We are writing to inform you of the following changes to the Fund and the Sub-Fund:

(A) Amendments to the Trust Deed

In order to better comply with the requirements of the SFC’s Code on Unit Trusts and Mutual Funds (the “**UT Code**”) and conform with the key provisions as set out in Section 5 of Annex 1 to the SFC’s Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds (“**Guide Requirements**”), the Trust Deed has been amended and superseded by way of an amended and restated Trust Deed (“**Amended and Restated Trust Deed**”). The Amended and Restated Trust Deed also contains other ancillary amendments. A summary of the key amendments made to the Trust Deed by way of the Amended and Restated Trust Deed is as follows:

1. incorporation of previous supplemental deeds to the Trust Deed and amendments to reflect the requirements under the UT Code and the Guide Requirements, in particular, the following:
 - a. enhancements of the definition of “Investment” in sub-clause 1.1 regarding derivative instrument;
 - b. sub-clause 3.3 is amended to provide that the Manager may, after consultation with the Trustee, or the Trustee may, after consultation with the Manager, declare a suspension of the determination of the net asset value of the Sub-Fund;
 - c. a new sub-clause 20.17 is inserted to provide that the Manager and the Trustee shall in the performance of their respective duties under the Trust Deed in relation to sub-funds that are authorised by the SFC at all times comply with the applicable provisions of the UT Code and shall act at all times in compliance with and in a manner consistent with the UT Code (as may be modified by any applicable waivers or exemptions granted by the SFC). Nothing in the Trust Deed shall diminish or exempt any of the Manager or the Trustee from any of its duties and liabilities under the UT Code;

- d. sub-clause 21.1 is replaced by the following:
- i. sub-clause 21.1A.1 provides that the Trustee shall be responsible and shall remain at all times liable for the safe-keeping of all of the investments, cash, assets and other property forming part of the trust fund in accordance with the provisions of the Trust Deed, and such investments, cash and registrable assets shall be registered in the name of or to the order of the Trustee and be dealt with as the Trustee may think proper for the purpose of providing for the safe-keeping thereof provided that where borrowing is undertaken for the account of the Fund pursuant to clause 14, for giving security in connection with such borrowing the assets of the relevant sub-fund may be registered in the lender's name or in that of a nominee appointed by the lender;
 - ii. sub-clause 21.1A.2 provides that the Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its connected persons) or have such person or person(s) appointed to hold, as custodian, nominee or agent of the Trustee, all or any of the Investments, assets or other property comprised in the Sub-Fund (each such person a "**Custodian**") and may empower any such Custodian to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians. The Trustee is required to (a) exercise reasonable care and diligence in the selection, appointment and monitoring of such persons and, (b) be satisfied that such persons retained remain suitably qualified and competent to provide the relevant custodial services to the Sub-Fund. The Trustee shall be responsible for the acts and omissions of any Custodian which is a connected person of the Trustee in relation to assets forming part of the property of the trust fund as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in sub-paragraphs (a) and (b) as set out above, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Custodian which is not a connected person of the Trustee;
 - iii. sub-clause 21.1A.3 sets out the persons that the Trustee shall procure to take delivery of and retain and/or be registered as proprietor of any investments held upon the trusts of the Trust Deed;
 - iv. sub-clause 21.1A.4 sets out the persons for which the Trustee shall not be liable in certain circumstances;
- e. a new sub-clause 21.2A is inserted to provide that for so long as the Fund is authorised by the SFC, section 41O of the Trustee Ordinance shall not apply to the extent that is inconsistent with sub-clause 21.1A and/or with the Trustee's duties and responsibilities under the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products, and shall not in any way operate to exempt or diminish any liability of the Trustee as set out in sub-clause 20.5;
- f. a new sub-clause 21.6A is inserted to provided that the Trustee shall exercise reasonable care and diligence in the selection of the valuation service providers and shall satisfy itself that the valuation service providers engaged are competent and have the resources to duly discharge their obligations;
- g. sub-clause 21.8 is amended to clarify that the Trustee shall be entitled for the purpose of indemnity against any action, costs, claims, damages, expenses or demands relating to the Sub-Fund other than those arising out of any liability or obligation to the Unitholders imposed on the Trustee pursuant to the laws of Hong Kong or the Trust Deed or any breach of trust through fraud or negligence on the part of the Trustee;

- h. sub-clause 30.1(a) is amended to provide that where the Trustee and the Manager shall certify in writing that in its opinion the modification, alteration or addition to the Trust Deed does not materially prejudice the interests of the Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any liability to the Unitholders and will not result in any increase in the amount of costs and charges payable from the trust fund (other than the costs, charges, fees and expenses incurred in connection with the supplemental deed), such modification, alteration or addition shall be made without the sanction of an extraordinary resolution of Unitholders;
 - i. paragraph 4.2.2 of Schedule 1 to the Trust Deed is amended to provide that the Manager may at any time with the prior written consent of the Trustee and shall at such times or at such intervals as the Trustee may request cause a revaluation to be made of any unquoted investment (other than an interest in a collective investment scheme or a commodity) by a professional person approved by the Trustee as qualified to value such unquoted investment;
 - j. paragraph 4.3 of Schedule 1 to the Trust Deed is amended to provide that cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager with the prior written consent of the Trustee, any adjustment should be made to reflect the value thereof;
 - k. paragraph 4.7 of Schedule 1 to the Trust Deed is amended to provide that notwithstanding paragraphs 4.1 to 4.6 of Schedule 1 to the Trust Deed, the Manager may, with the prior written consent of the Trustee, adjust the value of cash, deposits and any Investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations they deem relevant, they consider that such adjustment or use of such other method is required to reflect the fair value thereof;
 - l. paragraph 8 of Schedule 3 to the Trust Deed is amended to provide that at any meeting an extraordinary resolution put to the vote of the meeting shall be decided on a poll;
 - m. paragraph 9 of Schedule 3 to the Trust Deed is amended to provide that the result of a poll shall be deemed to be the resolution of the meeting at which the poll was taken;
 - n. paragraph 10 of Schedule 3 to the Trust Deed is amended to provide that on a poll every Unitholder who is present in person or by representative as aforesaid or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way;
 - o. paragraphs 11 and 12 of Schedule 3 to the Trust Deed are deleted;
2. updates to the definition of “Associate” in sub-clause 1.1 and amendments to sub-clause 1.4 regarding references to the new Companies Ordinance;
3. insertion of a new definition “Ineligible Investor” in sub-clause 1.1 and amendments to sub-clause 10.9 to clarify that being an “Ineligible Investor”, i.e. US person is an example of a ground for compulsory redemption;
4. insertion of a new definition “Principal Deed” in sub-clause 1.1 and amendments to sub-clause 2.3 to set out information updates relating to the history of the Fund; and
5. insertion of a new definition “US” or “U.S.” in sub-clause 1.1.

The amendments described above are in summary form only and are not meant to be an exhaustive list of the amendments made to the Trust Deed. Investors should note that there are other ancillary amendments to the Trust Deed as amended and as such, should review the Amended and Restated Trust Deed for further details on the amendments made. The Amended and Restated Trust Deed may be inspected free of charge during normal working hours at the offices of the Manager at Level 33, Two Pacific Place, 88 Queensway, Hong Kong.

The Explanatory Memorandum will be revised to reflect the amendments as set out above, where applicable.

(B) Automatic Exchange of Financial Account Information

The Explanatory Memorandum will be enhanced to include disclosures on the Standard for Automatic Exchange of Financial Account Information.

The Inland Revenue (Amendment) (No.3) Ordinance (the “**Ordinance**”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The AEOI requires financial institutions (“**FI**”) in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs, and to file such information with the Hong Kong Inland Revenue Department (“**IRD**”) who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement (“**CAA**”); however, the Sub-Fund and/or its agents may further collect information relating to residents of other jurisdictions.

The Sub-Fund is required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Sub-Fund and/or its agents shall collect and provide to the IRD tax information relating to unitholders and prospective investors.

The AEOI rules as implemented by Hong Kong require the Sub-Fund to, amongst other things: (i) register the Sub-Fund’s status as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e., unitholders) to identify whether any such accounts are considered “Reportable Accounts” for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

By investing in the Sub-Fund and/or continuing to invest in the Sub-Fund, unitholders acknowledge that they may be required to provide additional information to the Sub-Fund, the Manager and/or the Sub-Fund’s agents in order for the Sub-Fund to comply with AEOI. The unitholder’s information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions.

Each unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Sub-Fund.

(C) Amendments to the Explanatory Memorandum

The Explanatory Memorandum will be revised to reflect the above changes in due course.

The revised Explanatory Memorandum and Product Key Facts Statement will be available upon request from the office of the Manager at Level 33, Two Pacific Place, 88 Queensway, Hong Kong and will also be available on Schroders' website at www.schroders.com.hk. The website is not authorised by the SFC.

If you have any questions or would like more information, please contact your usual professional advisor or Schroders Investor Hotline on (+852) 2869 6968.

Yours faithfully,

For and on behalf of

Schroder Investment Management (Hong Kong) Limited



Chris Durack
Chief Executive Officer, Hong Kong