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IMPORTANT: This letter is important and 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 being the manager of the following fund accepts full responsibility for the accuracy of the information contained in this letter and confirms, having made all reasonable enquiries, that to the best of our 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 notice shall have the same meaning(s) as defined in the explanatory memorandum of the Fund dated October 2018, as amended (“Explanatory Memorandum”).

30 December 2019

Dear Unitholder

Schroder Balanced Investment Fund, Schroder Capital Stable Fund, Schroder Growth Fund and Schroder Stable Growth Fund (each a “Fund” and together the “Funds”)

- (I) Amendments to Reflect Requirements under the revised Code on Unit Trusts and Mutual Funds (“Code”)
- (II) Other updates to the Explanatory Memorandum

We are writing to inform you of certain changes to the Funds. References to “Fund” hereafter shall mean each of Schroder Balanced Investment Fund, Schroder Capital Stable Fund, Schroder Growth Fund or Schroder Stable Growth Fund.

A. Background

The Fund is subject to the Code issued by the Securities and Futures Commission in Hong Kong (“SFC”). The Code has been revised. The Trust Deed will be amended by way of a supplemental deed (“**Supplemental Deed**”) and the Explanatory Memorandum will be amended by way of a revised Explanatory Memorandum (“**Revised Explanatory Memorandum**”) to reflect the requirements under the revised Code.

B. Changes pursuant to the revised Code

The following key changes will be made to the Trust Deed and/or the Explanatory Memorandum (where applicable) of the Fund to reflect the requirements under the revised Code:

1. Trustee and Manager – additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.
2. Investment Restrictions: Core Requirements – amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, restrictions on investment in commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this Notice.

3. Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including the following:
 - (a) amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements;
 - (b) enhanced disclosures on valuation of the Fund's assets;
 - (c) amendment relating to the suspension of dealings; and
 - (d) enhanced disclosures on arrangements in handling unclaimed proceeds of Unitholders where the Fund is terminated.

Please refer to the Revised Explanatory Memorandum and the Supplemental Deed relating to the Fund for further details.

C. Other updates to the Explanatory Memorandum of the Fund

- (a) With immediate effect, it is clarified that the Manager currently does not intend to enter into any securities financing transactions (i.e. securities lending, sale and repurchase transactions and reverse repurchase transactions) in respect of the Fund.
- (b) Enhancement will be made to provide that the Fund may invest in other funds ("Underlying Schemes") of which the net derivative exposure is more than 50% of the Underlying Scheme's latest available net asset value. Investment in any single Underlying Scheme with a net derivative exposure exceeding 50% of its net asset value, which is (i) an SFC authorized fund (except for hedge funds under 8.7 of the Code) or (ii) an eligible scheme^{Note} which is not authorized by the SFC, will not be more than 30% of the Fund's net asset value. *(Note: "Eligible schemes" refer to UCITS schemes domiciled in Ireland, Luxembourg or the United Kingdom and, in accordance with their home regulation, such UCITS schemes may adopt the commitment approach or value at risk approach in monitoring the derivative exposure or risk of the UCITS schemes.)*
- (c) With immediate effect, instead of publication in newspapers, the relevant net asset value per unit in HK dollars and for US dollar Accumulation Units, in US dollars at each Valuation Date are published on the Schroders' Internet site (www.schroders.com.hk) or in such other appropriate manner as the Manager shall determine. The website has not been reviewed by the SFC.
- (d) With immediate effect, where the Manager declares a suspension, a notification will be published (a) immediately after any such declaration and (b) at least once a month during the period of such suspension, on the Schroders' Internet site (www.schroders.com.hk) or in such other appropriate manner as the Manager shall determine. The website has not been reviewed by the SFC.
- (e) Other ancillary updates to the Explanatory Memorandum of the Fund, such as the worldwide assets of the Schroder Group, the Directors of the Manager, change of the Service Provider, US-law related disclosures and disclosures relating to the Automatic Exchange of Financial Account Information.

D. Implication of Changes

Save as disclosed in this Notice, the changes described above (“**Changes**”) will not result in any material change to the investment objective and risk profile of the Fund. There will be no increase in the fees payable out of the assets of the Fund as a result of the Changes. The Changes will also not result in a change in the manner in which the Fund currently operates or is being managed save as disclosed in this Notice.

E. Availability of Documents

Copies of the Trust Deed together with all supplemental deeds (including the Supplemental Deed) relating to the Fund may be inspected during normal working hours at the offices of the Manager and the Trustee free of charge.

F. Enquiry

If you 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



Amy Cho
Chief Executive Officer, Hong Kong

ANNEXURE A

SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key amendments to the investment restrictions are as follows:

- (a) the aggregate value of the Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of its latest available net asset value:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.
- (b) subject to the requirements under the revised Code, the aggregate value of the Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available net asset value:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.
- (c) the value of the Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available net asset value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code.
- (d) the Fund may not invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary.
- (e) subject to the requirements under the revised Code, the Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (f) the maximum borrowing of the Fund remains to be 10% of its latest available net asset value. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (g) the Fund may acquire financial derivative instruments for hedging purposes.
- (h) the Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy¹ subject to the limit that the Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available net asset value, provided that such limit may be exceeded in

¹ For the avoidance of doubt, currently the Fund may only acquire financial derivative instruments for hedging purposes.

such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time.

Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the Fund are converted into their equivalent positions in their underlying assets. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.