

Name
Address1
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Postcode

14 July 2018

Dear [Recipient]

Account number:

Account name:

Designation:

Changes to the Pricing Policy

We are writing to inform you of some changes we are making to the pricing policy of certain Funds. These Funds are listed in Schedule One of this letter and you are a unitholder in one or more of these Funds.

Change to the pricing of the Funds

The pricing of the units is currently carried out on a dual pricing basis. This means that each day we calculate an "offer" price which is used when investors buy units and a "bid" price which is used when investors sell units. The difference between the buying and selling price of a unit is called the bid/offer spread. The bid/offer spread represents the transaction costs, including taxes and dealing charges, incurred when dealing in the securities that make up the Fund's underlying assets.

From 17 September 2018 (the Effective Date), the pricing of units in the Funds will be based on a single mid-market price. The mid-market price is based on the mid-point between the buying and selling prices of the fund's assets.

Switching to single pricing will provide greater simplicity for investors, as the price will be the same whether buying or selling units. The change also brings your fund in line with the rest of Schroders' UK fund range which already operate on a single pricing basis.

Introduction of swing pricing

Large transactions in and out of a fund may cause the fund manager to buy or sell the underlying investments. This can create trading costs which are borne by the fund as a whole and, therefore, can impact other ongoing investors. This effect is known as dilution.

Swing pricing is a mechanism to reduce dilution and protect ongoing investors. It aims to ensure that investors buying or selling units in a fund bear a portion of the trading costs, i.e. the underlying spreads and transactions costs.

Each fund has a swing factor, also known as a dilution adjustment, which is an estimate of the underlying dealing spreads, transaction costs, and taxes. This swing factor can be used to adjust the price of a fund for

investors buying and selling units. The swing factor will vary for each fund depending on the costs the fund incurs when buying and selling underlying investments, as well as any dealing spreads.

How does swing pricing work?

A fund's price will be adjusted upwards or downwards from the mid-market price in accordance with the daily unitholder flows. We will adjust the price upwards by the swing factor if net inflows exceed 1% of the fund's value. The price will be adjusted downwards by the swing factor if net outflows exceed 1%. If the net dealing on a day does not exceed the 1% threshold the fund's price will not swing and the published price will be the mid-market price.

The swing factor is an estimate made up of a number of elements, including spreads, commissions and other transactional costs (please see Schedule One below for the estimated dilution adjustments for your fund).

Costs

We will meet the costs associated with effecting the change to the Funds' pricing policy.

We are providing you with 60 days' notice of this change. This change does not require unitholder approval and you do not need to take any action. If you have any questions or concerns about the change, please contact your financial adviser. If you do not have a financial adviser you can find one in your area by visiting www.unbiased.co.uk or call a member of our Investor Services Team on 0800 718 777. Please be aware that Schroders does not offer investment advice.

Yours sincerely

James Rainbow
Director
Schroder Unit Trusts Limited

Schedule One

Fund	Dilution adjustment applicable to purchases	Dilution adjustment applicable to redemptions
SCHRODER ABSOLUTE RETURN BOND FUND	0.20	0.20
SCHRODER ASIAN INCOME FUND	0.22	0.28
SCHRODER EUROPEAN SMALLER COMPANIES FUND	0.34	0.20
SCHRODER EUROPEAN ALPHA PLUS FUND	0.15	0.11
SCHRODER GILT AND FIXED INTEREST FUND	0.05	0.05
SCHRODER GLOBAL EMERGING MARKETS FUND	0.18	0.25
SCHRODER GLOBAL HEALTHCARE FUND	0.11	0.07
SCHRODER HIGH YIELD OPPORTUNITIES FUND	0.48	0.48
SCHRODER INCOME FUND	0.47	0.07
SCHRODER INCOME MAXIMISER	0.49	0.07
SCHRODER MANAGED WEALTH PORTFOLIO	0.23	0.19
SCHRODER RECOVERY FUND	0.50	0.10
SCHRODER TOKYO FUND	0.18	0.18
SCHRODER UK ALPHA PLUS FUND	0.60	0.09
SCHRODER UK EQUITY FUND	0.58	0.09
SCHRODER UK MID 250 FUND	0.64	0.22
SCHRODER UK SMALLER COMPANIES FUND	1.34	1.27
SCHRODER US MID CAP FUND	0.04	0.04
SCHRODER US SMALLER COMPANIES FUND	0.08	0.08

