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IMPORTANT: This letter is important and requires your immediate 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 funds 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.

30 December 2019

Dear Unitholder

Schroder Umbrella Fund II (“Fund”) and the following sub-funds (each a “Sub-Fund”, collectively, “Sub-Funds”):

- **Schroder Asian Investment Grade Bond Fund**
- **Schroder China Asset Income Fund**
- **Schroder China Equity Alpha Fund**
- **Schroder China Fixed Income Fund**

We are writing to inform you of certain changes to the Fund and the Sub-Funds.

A. Background

The Fund and the Sub-Funds are subject to the Code on Unit Trusts and Mutual Funds (“**Code**”) issued by the Securities and Futures Commission in Hong Kong (“**SFC**”). The Code has been revised. The Trust Deed has been amended by way of a 17th supplemental deed (“**Supplemental Deed**”) and the Explanatory Memorandum (“**Revised Explanatory Memorandum**”) and the Products Key Facts Statements (“**KFS**”) of each Sub-Fund have been amended to reflect the requirements under the revised Code.

B. Changes pursuant to the revised Code

The following key changes have been made to the Trust Deed and/or the Explanatory Memorandum of each Sub-Fund (where applicable) 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.

Information on the net derivative exposure of each Sub-Fund calculated in accordance with the requirements and guidance issued by the SFC is set out in Annexure B 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 arrangements in handling unclaimed proceeds of Unitholders where a Sub-Fund is terminated;
 - (c) enhanced disclosures on custody arrangements; and
 - (d) enhanced disclosures on valuation policies and suspension of calculation of net asset value.

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

C. Changes to the investment policies of the Schroder China Fixed Income Fund (“Investment Policy Changes”)

(a) Investment in below investment grade and unrated debt securities

Currently, the Schroder China Fixed Income Fund does not have explicit restrictions on the minimum credit ratings of debt securities it may hold. The aggregate investment in debt securities with a credit rating below investment grade (i.e. rated below BBB- or equivalent by any internationally recognised credit rating agency, such as Standard & Poor’s, Moody’s or Fitch, or rated BB+ or below by any PRC domestic credit rating agency; whenever different ratings are assigned by different credit rating agencies, the lowest credit ratings assigned to the security will be adopted by the Sub-Fund) (“**Below Investment Grade Securities**”) or unrated debt securities will not exceed 30% of the Sub-Fund’s net assets except where the credit rating of a security is downgraded from investment grade to below investment grade, in which case the 30% limit may be exceeded temporarily but the Manager will, having regard to the interests of the unitholders, seek to dispose of all such downgraded securities in a gradual and orderly manner in light of the then prevailing market conditions to bring investments in securities with a credit rating of below investment grade to no more than 30% of the net assets of the Sub-Fund.

The investment policy of the Schroder China Fixed Income Fund has been revised so that it will not invest in Below Investment Grade Securities but may invest up to 10% of its net assets in unrated debt securities. Also, where the credit rating of a security is downgraded from investment grade to below investment grade, the Manager will, having regard to the interests of the unitholders, seek to dispose of all such downgraded securities in a gradual and orderly manner in light of the then prevailing market conditions.

(b) Investment in other collective investment schemes

Currently, the Schroder China Fixed Income Fund will not invest more than 10% of the net asset value of the Sub-Fund in investment funds and the investment policy of the Sub-Fund provides that it may invest not more than 10% of its latest net assets in shares or units of securities investment funds issued in the PRC.

The investment restriction has been revised to provide that the Manager currently will not, on behalf of the Sub-Fund, invest in other collective schemes. The investment policy of the Sub-Fund has also been revised to provide that the Sub-Fund will not invest in other collective investment schemes (including shares or units of securities investment funds issued in the PRC).

D. Enhancement of disclosures of the investment policies of the Schroder China Asset Income Fund

The investment policy of the Schroder China Asset Income Fund has been enhanced to provide that the Schroder China Asset Income Fund may utilise financial derivative instruments such as warrants, options and futures for the purposes of hedging and investment, although the Manager is not obligated to do so. There can be no assurance that any financial derivative instruments employed by the Manager will achieve desired results. Any financial derivative instrument used for investment purposes is subject to the investment restrictions applicable to the Schroder China Asset Income Fund as disclosed in the Revised Explanatory Memorandum of the Sub-Fund. There is no change to the manner in which the Sub-Fund is managed in practice.

The risks associated with the use of financial derivative instruments have also be enhanced.

E. Enhancement of disclosures on investment in debt instruments with loss absorption features

The investment policies of the following Sub-Funds have been enhanced to provide that:

- (a) each of the Schroder China Fixed Income Fund and Schroder Asian Investment Grade Bond Fund, may invest up to 30% of its net asset value in debt instruments with loss-absorption features such as contingent convertible bonds, Additional Tier 1 and Tier 2 capital notes, bail-in bonds, capital security bonds, subordinated Tier 2 capital notes, subordinated Additional Tier 1 capital notes and subordinated Lower Tier 2 capital notes;
- (b) the Schroder China Asset Income Fund, may invest up to 20% of its net asset value in debt instruments with loss-absorption features such as contingent convertible bonds, Additional Tier 1 and Tier 2 capital notes, Tier 1 and Tier 2 capital notes, capital security bonds, and total loss-absorbing capacity bonds.

Enhanced disclosures have also been made on the risks associated with investment in debt instruments with loss-absorption features.

F. Miscellaneous update and changes

In addition to the changes set out above, the Explanatory Memorandum and KFS of the relevant Sub-Funds and/or Trust Deed (where applicable) have also be amended to include the following changes:

- (i) update on the profiles of the Schroder Group and the Directors of the Manager;
- (ii) the change of the Service Provider;
- (iii) update and enhancement of risk disclosures;
- (iv) update on the arrangement for redemption and valuation;
- (v) update on disclosures relating to the Automatic Exchange of Financial Account Information;
- (vi) in relation to the Schroder China Fixed Income Fund, Schroder China Asset Income Fund and Schroder China Equity Alpha Fund, update on the Mainland China tax disclosure; and
- (vii) other miscellaneous update and changes.

G. Implication of changes

As a result of the Investment Policy Changes, the Schroder China Fixed Income Fund will be managed in accordance with the new investment policy. The Investment Policy Changes do not have a material adverse impact on your rights or interests.

Save as disclosed in this Notice the changes set out above will not result in any material change to the investment objective and risk profile of the Sub-Fund. There will be no increase in the fees payable out of the assets of the Sub-Fund as a result of the changes. The changes will also not result in a change in the manner in which the Fund and the Sub-Fund currently operate or are being managed save as disclosed in this Notice.

H. Availability of Documents

Copies of the Revised Explanatory Memorandum and KFS of the Sub-Funds are available upon request free of charge.

Copy of the Trust Deed, as amended, may be obtained from the Manager at a cost of HK\$300 each and may be inspected during normal working hours at the offices of the Manager and the Trustee free of charge.

I. Enquiries

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

Yours faithfully,



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 a Sub-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 a Sub-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 a Sub-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) a Sub-Fund may not invest in physical commodities unless otherwise approved by the SFC and disclosed in the investment policies of the Sub-Fund.
- (e) subject to the requirements under the revised Code, a Sub-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 a Sub-Fund has been reduced to 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) a Sub-Fund may acquire financial derivative instruments for hedging purposes.

- (h) a Sub-Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that such Sub-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 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. 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.

ANNEXURE B

INFORMATION ON NET DERIVATIVE EXPOSURE

The net derivative exposure is 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 a Sub-Fund are converted into their equivalent positions in their underlying assets.

The following Sub-Funds may acquire financial derivative instruments for hedging and investment purposes subject to the limit set out below:

Sub-Funds	Net derivative exposure (% of Net Asset Value)
Schroder Asian Investment Grade Bond Fund	up to 50%
Schroder China Asset Income Fund	up to 50%
Schroder China Equity Alpha Fund	up to 50%
Schroder China Fixed Income Fund	up to 50%