

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.

17 September 2018

Dear Unitholder

Schroder Umbrella Fund II ("Fund") and the following of its sub-funds ("Sub-Funds"):

- **Schroder Asian Asset Income Fund**
- **Schroder Asian Investment Grade Bond Fund**
- **Schroder China Asset Income Fund**
- **Schroder China Fixed Income Fund**
- **Schroder Global Allocator Fund**

We are writing to inform you of certain changes relating to the Sub-Funds, which are summarised below. These changes will take effect from 19 October 2018 ("**Effective Date**").

Unless otherwise specified, capitalized terms herein shall have the same meaning as those defined in the explanatory memorandum ("**Explanatory Memorandum**") of each Sub-Fund.

- **Dilution and dilution adjustment**

Each Sub-Fund is single priced and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions, redemptions and/or switching in and out of the Sub-Fund. This is known as "dilution". In order to counter this and to protect unitholders' interests, with effect from the Effective Date, the Manager will apply "dilution adjustment" as part of its daily valuation policy. This will mean that in certain circumstances the Manager (if in its opinion in good faith it is in the interest of unitholders to do so) will make adjustments in the calculations of the net asset value per Unit, to counter the impact of dealing and other costs on occasions when these are deemed to be significant.

In the usual course of business the application of a dilution adjustment will be triggered mechanically and on a consistent basis.

The need to make a dilution adjustment will depend upon the net value of subscriptions, switching and redemptions received by a Sub-Fund for each Dealing Day. The Manager therefore reserves the right to make a dilution adjustment where a Sub-Fund experiences a net cash movement which exceeds a threshold set by the Manager from time to time of the previous Dealing Day's total net asset value.

The Manager may also make a discretionary dilution adjustment if, in its opinion, it is in the interest of existing unitholders to do so.

Where a dilution adjustment is made, it will increase the net asset value per Unit when there are net inflows into a Sub-Fund and decrease the net asset value per Unit when there are net outflows.

The net asset value per Unit of each Unit Class in the Sub-Funds will be calculated separately but any dilution adjustment will, in percentage terms, affect the net asset value per Unit of each Unit Class identically.

As dilution is related to the inflows and outflows of money from a Sub-Fund, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Manager will need to make such dilution adjustments.

Because the dilution adjustment for a Sub-Fund will be calculated by reference to the costs of dealing in the underlying investments of the Sub-Fund, including any dealing spreads, which can vary with market conditions, this means that the amount of the dilution adjustment can vary over time but will not exceed 2% of the net asset value per Unit of the relevant Sub-Fund on the relevant Valuation Day.

To reflect the relevant changes set out above, the Explanatory Memorandum of each Sub-Fund and the trust deed of the Fund ("**Trust Deed**") will be amended.

Save as described above, all other key features of the Sub-Funds, including fee level, fee structure, the way the Sub-Funds is managed and risk profile, remain unchanged. The costs incurred in relation to these changes including legal costs for amending the Explanatory Memorandum and the Trust Deed are estimated to be HKD 30,000 for each Sub-Fund and will be borne by the relevant Sub-Fund.

- **Amendments to the Explanatory Memorandum pursuant to the revised Fund Manager Code of Conduct**

The Manager is licensed by the Hong Kong Securities and Futures Commission (the "SFC") for type 9 (asset management) regulated activity and accordingly is subject to regulation by the SFC, including the SFC's Fund Manager Code of Conduct (the "Fund Manager Code"). The SFC has revised the Fund Manager Code to include certain disclosure obligations on companies licensed by the SFC for type 9 regulated activity in relation to funds they manage. The disclosure obligations relate to leverage, securities lending, repurchase and reverse repurchase transactions, liquidity risk management and other risk management policies.

The Explanatory Memorandum of each of the Sub-Funds will be amended to reflect the requirements of the revised Fund Manager Code.

The amended Explanatory Memorandum (including the Product Key Fact Statement) of each of the Sub-Funds will be available on or around the Effective Date. Copies of the amended Explanatory Memoranda and Product Key Fact Statements will be available upon request.

The amended Trust Deed of the Fund will be available on or around the Effective Date. Copies of the Trust Deed, as amended, may be obtained at a reasonable cost, and may be inspected free of charge during normal working hours at the offices of the Manager and the Trustee.

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



Chris Durack

Chief Executive Officer, Hong Kong