

**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 (Europe) S.A., as the Management Company to Schroder International Selection 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 its knowledge and belief there are no other facts the omission of which would make any statement misleading.**

**30 June 2021**

Dear Shareholder,

### **Schroder International Selection Fund – Frontier Markets Equity (the “Fund”)**

The board of directors of Schroder International Selection Fund (the "Company") has decided to change the target benchmark of the Fund with effect from 31 July 2021 (the "Effective Date").

From the Effective Date the benchmark will change from:

MSCI Frontier Markets (FM) Index (the “Original Benchmark”)

To:

MSCI Frontier Emerging Markets (FEM) Index (Net TR) with Emerging Markets capped at 10% (the “New Benchmark”)

This change is being made as several countries in the Original Benchmark have been upgraded from frontier to emerging markets over time, thus reducing the Original Benchmark's geographic spread and liquidity.

- Since the Fund launched in December 2010, MSCI has upgraded the following countries from frontier to emerging market status: Qatar (May 2014), UAE (May 2014), Pakistan (May 2017), Argentina (May 2019), Kuwait (November 2020).
- The number of stocks in the Original Benchmark has reduced from 143 at the end of 2013 to 79 at the end of December 2020, a 45% reduction. Following the removal of Argentina, the Original Benchmark no longer has any Latin American exposure.

By contrast, the New Benchmark contains 116 stocks in 33 frontier emerging market countries including a 4% exposure to Latin America via Argentina, Colombia and Peru. It also adds the smaller emerging markets of Egypt, Pakistan and the Philippines.

- The New Benchmark has a 4.0% Latin America weight versus zero in the Original Benchmark.
- The New Benchmark has a 5.2% weight in the Philippines versus zero in the Original Benchmark.
- Liquidity improves markedly: the New Benchmark has 66 names that trade >US\$1m per day versus 31 in the Original Benchmark.

For emerging markets to be included in the Frontier Emerging Markets Index, they must be:

- small – i.e. country's weight in MSCI All Country World Index is below 10bps, and
- less developed – i.e. the country's gross national income per capita is lower than the average gross national income per capita of countries classified in the upper middle income category as defined by the World Bank.

The frontier markets universe changes regularly, with frontier markets countries becoming emerging markets and vice versa. We believe the New Benchmark, which includes the smaller, less developed emerging markets, and which caps the maximum exposure to emerging markets at 10% of the New Benchmark's total exposure is a more appropriate target for the Fund in light of the Fund's investment policy and enables us to manage the Fund in a more consistent manner.

From the Effective Date, the investment objective and policy of the Fund, which is contained in the Fund's prospectus, will change from:

#### **"Investment Objective**

The Fund aims to provide capital growth in excess of the MSCI Frontier Markets (Net TR) index after fees have been deducted over a three to five year period <sup>Note</sup> by investing in equity and equity related securities of frontier markets companies.

#### **Investment Policy**

The Fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of frontier markets companies worldwide.

The Fund typically holds 50-70 companies.

'Frontier markets' are countries included in the MSCI Frontier Markets Index or any other recognised frontier markets financial index, or additional countries that the Investment Manager deems to be frontier market countries.

The Fund is managed with reference to material environmental, social and governance factors. This means issues such as climate change, environmental performance, labour standards or board composition that could impact a company's value may be considered in the assessment of companies.

The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

<sup>Note</sup> For clarification purpose, this means to exceed a medium to long term return of the stated index after fees have been deducted. The three to five year period is considered as a medium to long term period, and is the period over which an investor should assess the fund's performance."

To:

#### **"Investment Objective**

The Fund aims to provide capital growth in excess of the MSCI Frontier Emerging Markets (FEM) index (Net TR) with Emerging Markets capped at 10% after fees have been deducted over a three to five year period<sup>Note</sup> by investing in equity and equity related securities of Frontier Emerging Markets companies.”

### **Investment Policy**

The Fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of Frontier Emerging Markets companies worldwide.

The Fund typically holds 50-70 companies.

'Frontier Emerging markets' are countries included in the MSCI Frontier Emerging Markets (FEM) index or any other recognised frontier markets financial index, or additional countries that the Investment Manager deems to be Frontier Emerging Market countries.

The Fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

<sup>Note</sup> For clarification purpose, this means to exceed a medium to long term return of the stated index after fees have been deducted. The three to five year period is considered as a medium to long term period, and is the period over which an investor should assess the Fund's performance. The stated index's maximum total exposure to emerging markets is capped at 10% of its total exposure.”

Finally, the board of directors of the Company decided that the Fund will no longer be subject to performance fees with effect from the Effective Date. No performance fee has been accrued for any share classes of the Fund since 2013. There is no change to the other fees chargeable in respect of the Fund. We believe the Fund will become more marketable without a performance fee and a more marketable fund has the potential to grow and offer economies of scale to Shareholders.

The change of the target benchmark and the change of the investment objective and policy of the Fund reflects the fluid nature and reality of the frontiers and emerging markets universes, and best reflects how the Fund's strategy is being implemented. The Fund's portfolio will not change as a result of the changes and so there is not expected to be any change to the risk profile. All other key features of the Fund remain the same. There is no change in the Fund's investment style, investment philosophy, investment strategy, and the operation and/or manner in which the Fund is being managed following this change. This change does not materially prejudice the rights or interests of existing Shareholders.

For clarification, the Fund's performance should be assessed against the New Benchmark being to exceed the New Benchmark. The Fund's investment universe is expected to overlap materially, directly or indirectly, with the components of the New Benchmark. The investment manager invests on a discretionary basis and there are no restrictions on the extent to which the Fund's portfolio and performance may deviate from the New Benchmark. The investment manager will invest in companies or sectors not included in the benchmark in order to take advantage of specific investment opportunities. The New Benchmark has been selected because it is representative of the type of investments in which the Fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the Fund aims to provide.

The Hong Kong offering documents of the Company (comprising the Prospectus, Hong Kong Covering Document and Product Key Facts Statement of the Fund) will be revised in due course to reflect the above

changes. The Hong Kong offering documents are available free of charge at [www.schroders.com.hk](http://www.schroders.com.hk)<sup>1</sup> or upon request from the Hong Kong Representative of the Company, Schroder Investment Management (Hong Kong) Limited (the "Representative") at Level 33, Two Pacific Place, 88 Queensway, Hong Kong.

We hope that you will choose to remain invested in the Fund following these changes, but if you do wish to redeem your holding in the Fund or to switch into another of the Company's sub-funds authorized by the Securities and Futures Commission ("SFC")<sup>2</sup> before the changes become effective you may do so at any time up to and including deal cut-off at 5:00 p.m. Hong Kong time on 30 July 2021. Please ensure that your redemption or switch instruction reaches the Representative in Hong Kong before this deadline. We will execute your redemption or switch instructions in accordance with the provisions of the Company's prospectus, free of charge, although in some countries local paying agents, correspondent banks or similar agents might charge transaction fees. Local agents might also have a local deal cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach the Representative in Hong Kong before the deal cut-off at 5:00 p.m. Hong Kong time on 30 July 2021.

Costs of making these changes including regulatory and shareholder communication costs and the cost of updating the Hong Kong offering documents will be borne by Schroder Investment Management (Europe) S.A. which is the Company's management company.

If you have any questions or would like more information, please contact your usual professional advisor or the Representative at Level 33, Two Pacific Place, 88 Queensway, Hong Kong or calling the Schroders Investor Hotline on (+852) 2869 6968.

Yours faithfully,



**Nirosha Jayawardana**  
Authorised Signatory



**Cecilia Vernerson**  
Authorised Signatory

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<sup>1</sup> This website has not been reviewed by the SFC.

<sup>2</sup> SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.