

Q&A: Reorganisation of Schroder International Selection Fund Emerging Europe (the “Fund”) for Russian Assets

Following the announcement that Schroder International Selection Fund Emerging Europe (the Fund) will reopen on 18 July 2022, we hope you will find this Q&A document on the new structure of the Fund useful. You can find full details on the new structure in the letter sent to all shareholders dated 4 July 2022. Please regard the letter as the primary source of information and use this Q&A alongside it.

Why does Schroders want to allocate the Russian assets to new share classes instead of re-opening the Fund as it is? How will Schroders re-open the Fund?

Following the suspension, the board of directors of Schroder International Selection Fund (the “Company”) (the “Board”) together with Schroder Investment Management (Europe) S.A. (“SIM EU”), the management company of the Company, undertook a review of what further action could be taken in order to seek to preserve the remaining value in the Fund, including the potential future value of the Russian Assets and assess options for re-opening the Fund for subscriptions and redemptions in the best interests of its shareholders while maintaining fair treatment for all shareholders.

In this context, and in line with Article 5 of the articles of incorporation of the Company, the Board has decided to reorganise the assets of the Fund by splitting the Fund in order to create new share classes to which the Russian Assets will be allocated (the “New Classes” each a “New Class”) with effect as of 18 July 2022 (the “Split Date”).

The benefit of this reorganisation is that the Fund will continue to be managed in accordance with its investment objective and policy, which enables shareholders to benefit from the ongoing performance of the Fund’s non-Russian Assets whilst retaining (through the New Classes) an interest in the Russian Assets should their value return in the future.

Two New Classes (one for investors already invested in an existing class reserved for institutional investors within the meaning of article 174 of the law of 17 December 2010 and one for all other investors already invested in other existing classes) will be created, to which the portfolio of Russian Assets will be allocated. These classes will be denominated in Euro and will be closed for subscriptions and redemptions.

When the Fund re-opens, will the net asset value (“NAV”) per share of the existing share classes be significantly lower than the last published NAV per share? Will the value of the new share classes remain close to zero going forward?

Information relating to the Fund, including an informative NAV per Share of the New Classes will be made available on our website at: <https://www.schroders.com/en/lu/private-investor/fund-centre/fund-notifications/schroder-isf/>

The Russian Assets in the New Classes will continue to be valued according to the valuation principles set out in the prospectus of the Company (the “Prospectus”) and Schroders’ valuation policy, like any assets in the Fund and the Company. As at 4 July 2022, the Russian Assets are valued at zero. SIM EU together with the Board have responsibility for continuing to monitor the appropriateness of the valuation based on the prevailing market indicators.

Will Schroders be charging any fees in relation to the Russian assets, i.e. the illiquid part of the Fund?

The New Classes will not be charged any annual distribution charge and annual management charge or charges from the Company’s depository, custodian and fund administrator. The New Classes may be charged class specific charges such as charges for legal services and the Luxembourg tax d’abonnement and other costs related to the Fund as a whole where these are to the benefit of all investors in the Fund – for example those relating to audit services, all in accordance with the provisions of the Prospectus. At the point the New Classes are launched, we will transfer cash in the amount of €75,000 from the Fund (approximately 0.4% of the total cash in the Fund, and 0.03% of the total NAV of the Fund) to the New Classes to cover these costs. If the amount of €75,000 is insufficient to cover any such costs relating to the New Classes in the future, SIM EU will bear any such shortfall should the Russian Assets not recover sufficient value. The existing share classes will continue to incur the costs as set out in the Prospectus.

Will the new share classes ever be open for subscriptions and redemptions, for example if and when there is liquidity in the Russian assets? At what point will the new share classes be liquidated and value returned to shareholders? If the Russian market starts trading normally, will the new share classes be merged into the pre-existing classes?

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Should the Russian market start to trade more normally, the Board will decide when and how to realise the Russian Assets taking into account the best interests of shareholders and at the best available realisable price to the extent possible so that the Fund will return value to shareholders in the New Classes on the realisation of Russian Assets over time. No individual investors will be able to affect the timing of the return of any value of the Russian Assets. Any value in the Russian Assets will be returned as and when liquidity is available. This may therefore be in tranches or all at the same time. The realisation of Russian Assets will be made at the level of the Fund, but separately from the non-Russian Assets attributable to the existing share classes, in a manner to ensure fair and equal treatment of all those shareholders who were allocated shares in the New Classes.

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Do we envisage any change to the investment objective and policy of the existing share classes (Fund)? What is the investment objective and policy of the new share classes?

The Fund's investment objective and policy, its pricing process and its dealing process in relation to the existing share classes will not be changed at this stage.

Do shareholders need to take any action as a result of these new arrangements?

On the Split Date, all shareholders of the Fund will be entitled to receive shares in the relevant New Classes calculated on a pro rata basis reflecting their exposure to the Russian Assets, through the existing share classes, as at 25 February 2022.

Following the allocation of the Russian Assets to the New Classes, the Fund through its existing share classes will have no more exposure to Russian equities and will not make any further investments in Russian equities until further notice. This is in line with the Fund's target benchmark from which all Russian equities have been removed.

For further information please contact your usual professional advisor or Schroder Investment Management (Singapore) Limited (the Representative) at its registered office or calling the Schroders Investor Hotline on +65 6534 4288.

Important Information

This document has not been reviewed by the Monetary Authority of Singapore.

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