

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.

Unless otherwise stated herein, capitalised terms in this letter shall have the same meaning(s) as defined in the explanatory memorandum ("**Explanatory Memorandum**") of each Sub-Fund.

15 October 2021

Dear Unitholder

Schroder Umbrella Fund II ("Fund") and the following of its sub-funds (each a "Sub-Fund", collectively, "**Sub-Funds**"):

- **Schroder Asian Asset Income Fund**
- **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 or updates to the Sub-Funds, which are summarised below.

A. Change of investment policy of Schroder Asian Asset Income Fund

With effect from 15 October 2021 ("**Effective Date**"), the Sub-Fund's expected minimum investment in Asian fixed income securities is reduced from 30% to 20% of its net asset value. The Sub-Fund's expected asset allocation range for each asset class after this change is as follows (changes are shown with track changes):

Asian equities: 30-70%
Asian fixed income: 30 <u>20</u> -70%
Other asset classes: 0-20%
Cash and money market instruments: 0-30%

The expected asset allocation is for indicative purposes only. Investors should note that the actual allocation may at times be varied as market, economic and other conditions change.

B. Enhancement of disclosures on credit rating assessment

For Schroder Asian Asset Income Fund, Schroder China Asset Income Fund, Schroder China Equity Alpha Fund and Schroder China Fixed Income Fund, it was previously disclosed that bonds

/ debt securities / fixed income instruments that are rated by any mainland China domestic credit rating agency are “below investment grade” if they are rated BB+ or below.

From the Effective Date, bonds / debt securities / fixed income instruments that are rated as AA- or below by any mainland China domestic credit rating agency are considered as “below investment grade” in relation to all Sub-Funds.

In addition, the investment policies of all Sub-Funds are clarified to provide that bonds/ debt securities / fixed income instruments rated by any internationally recognised credit rating agency, such as Standard & Poor’s, Moody’s or Fitch, are “below investment grade” if they are rated below BBB- / Baa3 (or its equivalent).

The meaning of “below investment grade” under the revised investment policies of the Sub-Funds are summarised as follows (key changes are shown with track changes):

Rated below BBB- / Baa3 (or its equivalent) by any internationally recognised credit rating agency, such as Standard & Poor’s, Moody’s or Fitch, or rated ~~BB+~~ AA- or below by any mainland China domestic credit rating agency, at the time of acquisition.

Further, the investment policies of all Sub-Funds are enhanced to provide that the Manager will assess credit risks of fixed income instruments based on quantitative and qualitative fundamentals, including without limitation the issuer’s leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, firm’s competitive position and corporate governance issue.

For the avoidance of doubt, there is no change to the Sub-Funds’ maximum exposure to bonds / debt securities / fixed income instruments which are below investment grade as currently disclosed.

C. Clarification relating to investment in debt instruments with loss-absorption features

From the Effective Date, in relation to Schroder Asian Asset Income Fund, Schroder China Asset Income Fund, Schroder Asian Investment Grade Bond Fund and Schroder China Fixed Income Fund, their investment policies are revised to clarify on the types of debt instruments with loss-absorption features that the relevant Sub-Funds may invest in.

The changes to the investment policies of the relevant Sub-Funds are shown in the table below (changes are shown with track changes):

Sub-Fund(s)	Investment in debt instruments with loss-absorption features
Schroder Asian Asset Income Fund Schroder China Asset Income Fund	The Sub-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 <u>capital notes</u> and Tier 2 capital notes, Tier 1 and Tier 2 capital notes , capital security bonds, <u>senior non-preferred debts</u> and total loss-absorbing capacity bonds.

<p>Schroder Asian Investment Grade Bond Fund</p> <p>Schroder China Fixed Income Fund</p>	<p>The Sub-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 <u>capital notes</u> and Tier 2 capital notes, bail-in bonds, capital security bonds, <u>senior non-preferred debts</u>, subordinated Tier 2 capital notes, subordinated Additional Tier 1 capital notes, and subordinated Lower Tier 2 capital notes.</p>
--	--

For the avoidance of doubt, there is no change to the relevant Sub-Funds' maximum exposure to debt instruments with loss-absorption features as currently disclosed.

Please refer to the risk factor headed "Risks associated with investments in debt instruments with loss-absorption features" under the "RISK FACTORS" section of the Explanatory Memorandum for the related risk disclosures.

D. Other miscellaneous updates

In addition to the matters described above, the Explanatory Memoranda and Products Key Facts Statements of the relevant Sub-Funds (as applicable) are amended to include the following updates, with effect from the Effective Date:

- updates to the corporate profile of the Schroder Group;
- updates to board members of the Manager;
- updates to Stock Connect and Bond Connect disclosures;
- clarification or enhancement to the investment objective and policies;
- updates to reflect the recent changes in the rules and regulations in relation to the QFII and RQFII regimes in the People's Republic of China ("**PRC**"), including but not limited to the merger of the QFII and RQFII regimes and such QFII and RQFII regimes are now known as Qualified Foreign Investor ("**QFI**") regime;
- updates to reflect the expansion to investment in Shanghai Stock Exchange's Science and Technology Innovation Board ("**STAR Board**") and the merger of the Shenzhen Stock Exchange's main board and the Small and Medium Enterprises Board ("**SME Board**");
- updates relating to PRC investment and regulatory regimes;
- updates to PRC tax disclosures;
- enhancement of risk disclosures; and
- other miscellaneous updates, changes and editorial amendments.

E. Implications on unitholders

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 changes described above will not result in any material prejudice to the rights or interests of unitholders of the Sub-Funds.

F. Availability of documents

To reflect the changes described above, the Explanatory Memoranda and Products Key Facts Statements of the Sub-Funds are amended, and the same will be available on or around the Effective Date at our website (www.schroders.com.hk)¹ or upon request from our office (Level 33, Two Pacific Place, 88 Queensway, Hong Kong) free of charge.

G. Enquiries

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

A handwritten signature in black ink, appearing to read 'Amy Cho', with a long horizontal flourish extending to the right.

Amy Cho

Chief Executive Officer, Hong Kong

¹ The website has not been reviewed by the SFC.