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***IMPORTANT: This letter is important and requires your 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 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 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 notice shall have the same meaning(s) as defined in the explanatory memorandum of the Fund dated November 2018, as amended (“**Explanatory Memorandum**”).*

30 December 2019

Dear Unitholder

**Schroder Hong Kong Money Market Fund and Schroder U.S. Dollar Money Fund** (each a “**Fund**” and together the “**Funds**”)

- (I) Amendments to Reflect Requirements under the revised Code on Unit Trusts and Mutual Funds (“**Code**”)
- (II) Other updates to the Explanatory Memorandum

We are writing to inform you of certain changes to the Funds. References to “Fund” hereafter shall mean each of Schroder Hong Kong Money Market Fund and Schroder U.S. Dollar Money Fund.

## **A. Background**

The Fund is subject to the Code issued by the Securities and Futures Commission in Hong Kong (“**SFC**”). The Code has been revised. The Trust Deed will be amended by way of a supplemental deed (“**Supplemental Deed**”) and the Explanatory Memorandum will be amended by way of a revised Explanatory Memorandum (“**Revised Explanatory Memorandum**”) to reflect the requirements under the revised Code.

## **B. Changes pursuant to the revised Code**

The following key changes will be made to the Trust Deed and/or the Explanatory Memorandum (where applicable) of the Fund to reflect the requirements under the revised Code:

1. Investment policy of the Fund – the investment policy of the Fund has been amended to reflect the requirements applicable to a money market fund under Chapter 7 and Chapter 8.2 of the revised Code.

2. Trustee and Manager – additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.
3. Investment Restrictions: Core Requirements – amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 and Chapter 8.2 of the revised Code, including but not limited to amendments in relation to the following: asset classes, portfolio maturity, limitations on borrowing, spread of investments, financial derivative instruments 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.

4. 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) amendment relating to the suspension of dealings; and
  - (c) enhanced disclosures on arrangements in handling unclaimed proceeds of Unitholders where the Fund is terminated.

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

## **C. Other updates to the Explanatory Memorandum of the Fund**

Other ancillary updates are made to the Explanatory Memorandum of the Fund, such as the worldwide assets of the Schroder Group, the Directors of the Manager, the change of the Service Provider, US-law related disclosures and disclosures relating to the Automatic Exchange of Financial Account Information.

## **D. Implication of Changes**

Save as disclosed in this Notice, the changes described above (“**Changes**”) will not result in any material change to the investment objective and risk profile of the Fund. There will be no increase in the fees payable out of the assets of the Fund as a result of the Changes. The Changes will also not result in a change in the manner in which the Fund currently operates or is being managed save as disclosed in this Notice.

## **E. Availability of Documents**

Copies of the Trust Deed together with all supplemental deeds (including the Supplemental Deed) relating to the Fund may be inspected during normal working hours at the offices of the Manager and the Trustee free of charge.

## F. Enquiry

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**



Amy Cho  
Chief Executive Officer, Hong Kong

## ANNEXURE A

## SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key investment restrictions of the Fund are as follows:

- (a) subject to the provisions set out below, the Fund may only invest in short-term and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;
- (b) the Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein;
  - (i) **"weighted average maturity"** is a measure of the average length of time to maturity of all the underlying securities in the Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Fund to changing money market interest rates; and
  - (ii) **"weighted average life"** is the weighted average of the remaining life of each security held in the Fund; and is used to measure the credit risk, as well as the liquidity risk,

provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

- (c) the aggregate value of the Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available net asset value of the Fund except:
  - (i) the value of the Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available net asset value of the Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves;
  - (ii) up to 30% of the Fund's latest available net asset value may be invested in Government and other public securities of the same issue; or
  - (iii) in respect of any deposit of less than US\$1,000,000 or its equivalent in the base currency of the Fund where the Fund cannot otherwise diversify as a result of its size;
- (d) the aggregate value of the Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available net asset value provided that:
  - (i) the aforesaid limit will not apply in respect of cash deposit of less than US\$ 1,000,000 or its equivalent in the base currency of the Fund, where it cannot otherwise diversify as a result of its size; and

- (ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (e) the value of the Fund's holding of money market funds that are authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available net asset value;
- (f) the value of the Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available net asset value;
- (g) the currency risk of the Fund shall be appropriately managed and any material currency risk that arises from investments of the Fund that are not denominated in its base currency shall be appropriately hedged; and
- (h) the Fund must hold at least 7.5% of its latest available net asset value in daily liquid assets and at least 15% of its latest available net asset value in weekly liquid assets. For the purposes herein:
  - (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one business day; and (iii) amount receivable and due unconditionally within one business day on pending sales of portfolio securities; and
  - (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five business days; and (iii) amount receivable and due unconditionally within five business days on pending sales of portfolio securities.
- (i) the maximum borrowing of the Fund may not exceed 10% of its latest available net asset value.
- (j) the Fund may acquire financial derivative instruments for hedging purposes.
- (k) the Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that the 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. In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the Fund are converted into their equivalent positions in their underlying assets. 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.