

**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.**

**27 September 2021**

Dear Shareholder,

### **Schroder International Selection Fund – Global Multi-Asset Income (the “Fund”)**

We are writing to inform you that on 29 October 2021 (the “Effective Date”) the following changes will be made to the Fund:

- The income target in the Fund’s investment objective will change from 5% per annum to a range of 3% - 5% per annum;
- The volatility target will be removed from the Fund’s investment objective;
- The investment policy will change to provide that the Fund will maintain a higher overall sustainability score than the comparator benchmark, based on the Investment Manager’s rating system;
- A new comparator benchmark made up of the following will be added: 30% MSCI AC World Index (USD), 40% Barclays Global Aggregate Corporate Bond Index (USD) and 30% Barclays Global High Yield excl CMBS & EMG 2% index (USD);
- The Fund will incorporate binding environmental and/or social characteristic(s), within the meaning of Article 8 of the Sustainable Finance Disclosure Regulation (“SFDR”). Details of the Fund’s environmental and/or social characteristics and how it seeks to achieve them will be disclosed in the Fund’s investment policy and under a new section called “Sustainability Criteria” in the Fund Characteristics section of the prospectus; and
- The distribution policy for some of the share classes will change.

### **Rationale**

By changing the income target, the investment manager will be able to focus on providing a sustainable income stream and generating income in less favourable market conditions.

Removing the volatility range of 5% - 7% per annum and instead using a market-based comparator for risk analysis provides greater clarity around the expected risk profile. We believe that market-based comparators provide more context compared to an absolute percentage range.

The new comparator benchmark is selected because the investment manager believes that the benchmark is a suitable comparison for volatility purposes given the Fund's investment objective and policy and the investment policy will be revised accordingly to include the new comparator benchmark.

We believe that incorporating sustainability factors into the Fund's strategy aligns with the increasing desire among investors to put their money into investments that can clearly demonstrate their sustainability credentials.

### **Investment Objective Change**

The investment objective of the Fund, which is contained in Schroder International Selection Fund's (the "Company") Hong Kong offering documents (comprising the prospectus, Hong Kong Covering Document and Product Key Facts Statement of the Fund), will change from:

#### **"Investment Objective**

The Fund aims to provide an income distribution of 5% per annum and capital growth over a three to five year period <sup>Note</sup> after fees have been deducted by investing in a diversified range of assets and markets worldwide. The Fund aims to provide a volatility (a measure of how much the Fund's returns may vary over a year) of between 5-7% per annum."

To:

#### **"Investment Objective**

The Fund aims to deliver an income of 3-5% per annum and capital growth over a three to five year period <sup>Note</sup> after fees have been deducted by investing in a diversified range of assets and markets worldwide."

<sup>Note</sup> For clarification purpose, 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.

### **Investment Policy Change**

From the Effective Date the following paragraph will be added to the Fund's investment policy:

"The Fund maintains a higher overall sustainability score than 30% MSCI AC World Index (USD), 40% Barclays Global Aggregate Corporate Bond Index (USD) and 30% Barclays Global High Yield excl CMBS & EMG 2% index (USD) based on the Investment Manager's rating system. More details on the investment process used to achieve this can be found in the Fund Characteristics section.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability Information" on the Fund's webpage, accessed via [www.schroders.com/en/lu/private-investor/gfc](http://www.schroders.com/en/lu/private-investor/gfc)<sup>1</sup>."

### **Benchmark Change**

As from the Effective Date the Benchmark section of the Fund, which is contained in the Company's prospectus, will change from:

#### **"Benchmark**

The Fund's performance should be assessed against its target benchmark, being to provide income of 5% per year and capital growth and the volatility target of 5%-7% per year.

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<sup>1</sup> For Hong Kong investors, please refer to the following website: <https://www.schroders.com/en/hk/retail-investors/funds/fund-centre> (this website has not been reviewed by the SFC).

The income and volatility targets have been selected because the Investment Manager deploys strategies that aim to deliver the level of income stated in the investment objective."

**To:**

### **"Benchmark**

The Fund's performance should be assessed against the income target of 3-5% per year. The Fund's volatility should be compared against 30% MSCI AC World Index (USD), 40% Barclays Global Aggregate Corporate Bond Index (USD) and 30% Barclays Global High Yield excl CMBS & EMG 2% index (USD). The comparator benchmark is only included for volatility comparison purposes and does not have any bearing on how the Investment Manager invests the Fund's assets. The Fund's investment universe is expected to have limited overlap with the components of the comparator 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 comparator benchmark. The Investment Manager will invest in companies or sectors not included in the comparator benchmark.

The comparator benchmark has been selected because the Investment Manager believes that the benchmark is a suitable comparison for volatility purposes given the Fund's investment objective and policy. The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the Fund."

### **SFDR Sustainability Criteria**

From the Effective Date the following section will be added to the Fund's details in the Company's prospectus to detail how it will integrate sustainability factors into its investment policy:

#### **"Sustainability Criteria**

The Investment Manager applies governance and sustainability criteria when selecting investments for the Fund. The investable universe is assessed using a number of proprietary tools, as well as external rating services.

The Investment Manager will assess companies against a variety of environmental, social and governance metrics, taking into account issues such as climate change, environmental performance, labour standards and board composition. The Investment Manager will decide whether an investment is eligible for inclusion taking into account the overall ESG score. The multi-asset nature of the Fund means that the Investment Manager will analyse the ESG scores across asset classes as an input into the asset allocation of the Fund. The Investment Manager may select investments, which it deems to contribute to one or more environmental or social objectives, provided that they do no significant harm to any other environmental or social objectives.

The sources of information used to perform the analysis include information provided by the companies, such as company sustainability reports and other relevant company material, as well as Schroders' proprietary sustainability tools and third-party data.

More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the website [www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures](https://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures)<sup>2</sup>.

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<sup>2</sup> For Hong Kong investors, please refer to the following website: <https://www.schroders.com/en/hk/retail-investors/sustainability/making-an-impact-through-sustainability> (this website has not been reviewed by the SFC).

The Investment Manager ensures that at least:

- 90% of equities issued by large companies domiciled in developed countries; fixed or floating rate securities and money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries; and
- 75% of equities issued by large companies domiciled in emerging countries; equities issued by small and medium companies; fixed or floating rate securities and money market instruments with a high yield credit rating; and sovereign debt issued by emerging countries,

held in the Fund's portfolio are rated against the sustainability criteria. For the purposes of this test, small companies are those with market capitalisation below €5 billion, medium companies are those between €5 billion and €10 billion and large companies are those above €10 billion."

### **Distribution Policy change**

The share classes affected by the change in distribution policy are listed in the appendix of this letter. The change will come into effect for the distribution due to be paid after the Effective Date and will apply to all distributions going forward. The distribution frequency of the share classes will not change.

We periodically review the distribution rate of share classes and reserve the right to make changes. For example if the investment income after expenses is higher than the target distribution rate, we may declare the higher amount to be distributed. Equally, we may deem it is appropriate to declare a dividend lower than the target distribution rate. Pursuant to our review of the distribution rates, we have decided to change the distribution rates of the share classes as listed in the appendix of this letter.

The information on the dividend compositions will continue to be available from the Hong Kong Representative on request and on the Schroders' Internet site ([www.schroders.com.hk](http://www.schroders.com.hk)<sup>3</sup>).

### **Implication of the proposed changes**

As a result of the SFDR changes, the Fund may be subject to additional risk considerations relating to investments with environmental and/or social characteristics (within the meaning of Article 8 of SFDR), and specific risk considerations will be added to the prospectus. However, such risks will not be considered as key risks applicable to the Fund.

Save as disclosed above, all other key features of the Fund (including the fees chargeable in respect of the Fund as stated in the Hong Kong offering documents) will remain the same and there will be no change to the risks applicable to the Fund as a result of the changes set out above. The investment manager believes that the changes to the Fund do not result in a change to the risk profiles of the Fund as removing of the volatility range and instead using a market-based comparator for risk analysis provides greater clarity around the expected risk profile. There will also be no material change in the operation and/or manner in which the Fund is being managed. The changes are not expected to materially prejudice the rights or interests of existing investors.

The Hong Kong offering documents of the Company will be revised to reflect the above changes and will be available free of charge at [www.schroders.com.hk](http://www.schroders.com.hk)<sup>4</sup> or upon request from the Hong Kong Representative of the Company, Schroder Investment Management (Hong Kong) Limited.

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<sup>3</sup> This website has not been reviewed by the SFC.

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### **Costs and expenses in respect of the changes**

Any costs and expenses incurred directly as a result of making the changes will be borne by Schroder Investment Management (Europe) S.A., the Company's management company.

### **Redeeming or switching your shares to another Schroders fund**

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>5</sup> before the changes become effective, you may do so at any time up to and including the dealing cut-off at 5:00 p.m. Hong Kong time on **28 October 2021**. Please ensure that your redemption or switch instruction reaches the Hong Kong Representative before this deadline. We will execute your redemption or switch instructions in accordance with the provisions of the Company's Hong Kong offering documents, 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 dealing cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach the Hong Kong Representative before the dealing cut-off at 5:00 p.m. Hong Kong time on **28 October 2021**.

### **Enquiries**

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

The Board of Directors

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<sup>5</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.

## List of share classes with changing distribution policies in Schroder International Selection Fund – Global Multi-Asset Income

<b>Fund</b>	<b>Share class</b>	<b>Share class currency</b>	<b>Current distribution rate per annum</b>	<b>Future distribution rate per annum</b>	<b>ISIN</b>
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	GBP Hedged	5.00% paid monthly	4.00% paid monthly	LU0910996080
Schroder ISF Global Multi-Asset Income	A Distribution (MFC)*	AUD Hedged	5.00% paid monthly with currency carry	4.50% paid monthly with currency carry	LU0911024122
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	RMB Hedged	5.00% paid monthly	4.50% paid monthly	LU0924045015
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	HKD	5.00% paid monthly	4.50% paid monthly	LU0894486033
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0757359954
Schroder ISF Global Multi-Asset Income	A1 Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0757360028

\* This refers to the premium or discount that may apply to the distribution. Distributions may include a premium when the interest rate of a currency hedged share class is higher than the fund's base currency interest rate. Consequently when the interest rate of a currency hedged share class is lower than the fund's base currency interest rate, the dividend may be discounted. The level of premium or discount is determined by differences in interest rates and is not part of the fund's investment objective or investment policy.