

**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.**

**18 August 2023**

Dear Shareholder,

## **Schroder International Selection Fund (the “Company”) – Emerging Europe (the “Fund”)**

We are writing to inform you that from 21 September 2023 (the “**Effective Date**”) the Fund’s investment objective will change and a new comparator benchmark will be adopted. The investment policy of the Fund has also been updated.

Full details of the relevant changes are set out in the Appendix to this letter.

### **Background and rationale**

Russia represented around 65% of the existing target benchmark of the Fund, i.e. MSCI Emerging Markets Europe 10/40 (Net TR) index, at the beginning of 2022. However, following the invasion of Ukraine, Russia was removed from the index which reduced its investment universe to only five countries. The Fund was reorganised on 18 July 2022 to create new share classes to ring fence (from an accounting perspective for the purposes of the calculation of the net asset value) the Fund’s Russian assets from the other investments of the Fund.

Given the reduced investment universe and the fact that the Fund has always taken positions in countries not reflected in the target benchmark, we believe that a benchmark unconstrained approach better reflects the way the investment manager implements the strategy of the Fund.

### **Investment objective changes, removal of target benchmark and addition of comparator benchmark**

From the Effective Date, the existing target benchmark, i.e. MSCI Emerging Markets Europe 10/40 (Net TR) index, will be removed from the Fund’s investment objective and a new comparator benchmark will be adopted from the Effective Date. The new comparator benchmark will be MSCI EFM Europe + CIS (E+C) Index (Net TR). We believe that the new comparator benchmark will better reflect the overall investment universe and opportunity sets of the Fund.

## **Investment policy update**

The Fund's investment policy has been updated to reflect that the Fund may invest at least two-thirds of its assets in a concentrated portfolio of equity and equity related securities of Central and Eastern European companies, including the markets of the former Soviet Union and the Mediterranean emerging markets. This has been added as a clarification to reflect the existing investment policy which provides that the Fund will typically hold 30 – 50 companies.

## **Implication of the changes**

Save as disclosed above, (i) all other key features of the Fund (including fees chargeable in respect of the Fund as stated in the Hong Kong offering documents) will remain the same; (ii) there will be no change to the risks applicable to the Fund; and (iii) there will also be no material change in the operation and/or manner in which the Fund is being managed as a result of the changes set out above. 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 changes / updates as set out above and other miscellaneous changes / updates and will be 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.

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

The Fund will bear any costs and expenses associated with the changes including legal, audit and regulatory charges, which are expected to be insignificant and are estimated to be approximately less than 0.01% of the net asset value of the Fund as of 19 May 2023.

## **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>2</sup> before the Effective Date, you may do so at any time up to and including the dealing cut-off at 5:00 p.m. Hong Kong time on 20 September 2023. 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 intermediaries 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 20 September 2023.

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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.

**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.

Yours faithfully,

**The Board of Directors**

**Appendix**

Deletions are shown as crossed out text and additions are shown as underlined text.

<b>Current investment objective and policy</b>	<b>New investment objective and policy</b>
<p><b>Investment objective</b></p> <p>The Fund aims to provide capital growth in excess of the MSCI Emerging Markets Europe 10/40 (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 Central and Eastern European companies.</p> <p><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 “10/40” index takes into account the “5/10/40” rule applicable to a UCITS fund, which provides that a fund may invest no more than 10% of its net asset value in securities issued by the same issuing body, and the total value of all such investments which individually exceed 5% of the net asset value of the fund must not account for more than 40% of the net asset value of the fund.</p>	<p><b>Investment objective</b></p> <p>The Fund aims to provide capital growth in excess of the MSCI Emerging Markets Europe 10/40 (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 Central and Eastern European companies.</p> <p><del><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 “10/40” index takes into account the “5/10/40” rule applicable to a UCITS fund, which provides that a fund may invest no more than 10% of its net asset value in securities issued by the same issuing body, and the total value of all such investments which individually exceed 5% of the net asset value of the fund must not account for more than 40% of the net asset value of the fund.</del></p>
<p><b>Investment Policy</b></p> <p>The Fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of Central and Eastern European companies, including the markets of the former Soviet Union and the Mediterranean emerging markets. The Fund may also invest in equity and equity related securities of North African and Middle Eastern companies.</p> <p>The Fund typically holds 30-50 companies.</p>	<p><b>Investment Policy</b></p> <p>The Fund is actively managed and invests at least two-thirds of its assets in <u>a concentrated portfolio of</u> equity and equity related securities of Central and Eastern European companies, including the markets of the former Soviet Union and the Mediterranean emerging markets. The Fund may also invest in equity and equity related securities of North African and Middle Eastern companies.</p> <p>The Fund typically holds 30-50 companies.</p>

<p>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 (subject to the restrictions provided in Appendix I).</p> <p>The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p> <p>For specific information regarding Russia, please refer to the Section "Special Information" below.</p>	<p>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 (subject to the restrictions provided in Appendix I).</p> <p>The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p> <p>For specific information regarding Russia, please refer to the Section "Special Information" below.</p>
<p><b>Benchmark</b></p> <p>The Fund's performance should be assessed against its target benchmark being to exceed the MSCI Emerging Markets Europe 10/40 (Net TR) index. The Fund's investment universe is expected to overlap materially, directly or indirectly, with the components of the target 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 target benchmark. The Investment Manager will invest in companies or sectors not included in the target benchmark in order to take advantage of specific investment opportunities.</p> <p>The target 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.</p>	<p><b>Benchmark</b></p> <p><u>The Fund does not have a target benchmark.</u> The Fund's performance should be <u>assessed compared</u> against its <u>target-comparator benchmark</u>, being <u>to exceed the MSCI Emerging Markets Europe 10/40 (Net TR) index</u> <u>the MSCI EFM Europe + CIS (E+C) Index (Net TR)</u>. The Fund's investment universe is expected to overlap materially, directly or indirectly, with the components of the <u>target-comparator benchmark</u>. 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 <u>target-comparator benchmark</u>. The Investment Manager will invest in companies or sectors not included in the <u>target-comparator benchmark</u> in order to take advantage of specific investment opportunities.</p> <p>The <u>target-comparator benchmark</u> 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.</p>