

**11 January 2021**

Dear Shareholder,

## **Schroder International Selection Fund — UK Alpha Income merger with Schroder International Selection Fund — UK Equity**

We are writing to advise you that on **17 February 2021** (the "Effective Date"), Schroder International Selection Fund — UK Alpha Income (the "Merging Fund") will merge with Schroder International Selection Fund — UK Equity (the "Receiving Fund") (the "Merger"). Shareholders in the Merging Fund will receive the equivalent value of shares in the Receiving Fund in place of their current shares in the Merging Fund.

### **Background and rationale**

Upon review, the board of directors (the "Board") of Schroder International Selection Fund (the "Company") concluded that, given the relative size of the Merging Fund and the similarity in investment approach between the Merging Fund and Receiving Fund, shareholders in the Merging Fund will benefit from a merger with the Receiving Fund. The Merging Fund has approximately GBP 14 million under management as of 30 June 2020 while the Receiving Fund has approximately GBP 63 million under management as of the same date. Shareholders in the Merging Fund will be merged into a sub-fund which, the Board believes, will give shareholders access to a similar investment strategy with a similar risk profile.

A merger into the Receiving Fund offers investors of the Merging Fund an alternative fund with enhanced scale and a broadly similar investment approach; both the Merging Fund and the Receiving Fund are primarily invested in UK large and mid-sized companies, utilise a similar investment process focussing on value and alpha opportunities and share the same target benchmark which is the FTSE All Share index which is representative of the type of investments in which the Merging Fund and the Receiving Fund are likely to invest.

In addition, the greater size of the Receiving Fund can offer the potential for additional economies of scale following the Merger with the Merging Fund. The Board has therefore decided, in accordance with Article 5 of the articles of incorporation of the Company (the Articles) and the provisions of the prospectus of the Company (the "Prospectus") and in the interest of both funds' shareholders, to merge the Merging Fund into the Receiving Fund.

### **Investment objectives and policies**

The investment objective of the Merging Fund includes the provision of income and capital growth; the Receiving Fund aims to provide capital growth; both by investing mainly in equity and equity related securities of UK companies. Both the Merging Fund and Receiving Fund may use derivatives for the purposes of achieving investment gains, hedging and efficient portfolio management.

### **Share classes and annual investment management fee changes**

The synthetic risk and return indicator (the SRRI) of the Receiving Fund and the Merging Fund is the same (category 5). The base currency of both the Merging Fund and the Receiving Fund is GBP. A full summary of

which Merging Fund share classes will be merged into which Receiving Fund share classes can be found in the Appendix.

The table below summarises the annual investment management charges (the AMC) and ongoing charges<sup>1</sup> (the OGC) for the share classes of the Merging Fund and the Receiving Fund.

Share class	Merging Fund		Receiving Fund	
	AMC	OGC	AMC	OGC
<b>A</b>	1.50%	1.85%	1.25%	1.59%
<b>C</b>	0.75%	1.05%	0.75%	1.04%
<b>IZ</b>	0.75%	0.82%	0.75%	0.81%
<b>S</b>	0.38%	0.68%	0.38%	0.67%

Shareholders in the Merging Fund will be charged the same or lower AMC and lower OGC in all cases as a result of the Merger.

### Dealing cut-off time and settlement periods for subscriptions and redemptions

There is no change to the dealing cut-off time or the settlement periods. The dealing cut-off time of the Receiving Fund is 1.00 p.m. Luxembourg time on the dealing day. Orders that reach HSBC Continental Europe, Luxembourg ("HSBC") before the cut-off time will be executed on the dealing day. The settlement periods for subscription and redemption are within three business days following a dealing day.

A key features comparison table of the Merging Fund and the Receiving Fund (including the share class changes) can be found in the Appendix.

### Merger

This Merger notice is required by Luxembourg law.

As a result of the Merger, there will be no change of legal entities acting as investment manager, which remains Schroder Investment Management Limited.

### Costs and expenses of the Merger

The Merging Fund has no unamortised preliminary expenses and outstanding set-up costs. The expenses incurred in the Merger, including the legal, advisory and administrative costs, will be borne by the Management Company.

From **10 February 2021**, in order to account for the market-related transaction costs associated with the disposal of any investments that are not in line with the Receiving Fund's portfolio, or associated with redemption or switch orders received during the period leading up to the Merger, the Merging Fund's net asset value per share will be adjusted down each time there is a net outflow from the Merging Fund by means of a dilution adjustment. In the event that there are net inflows to the Merging Fund during this period the

<sup>1</sup> Percentages are per annum and are stated with reference to the net asset value per share. The OGCs include, where applicable, the distribution charge, shareholder servicing charge, investment management fee and other administration costs including the fund administration, custodian and transfer agency costs. They include the management fees and administration costs of the underlying investment funds in the portfolio. The OGCs are as at 30 June 2020.

net asset value per share will be adjusted upwards. The intent of the adjustment is to protect existing and continuing investors in the Merging Fund from bearing all such market-related transaction costs and to apportion such costs appropriately. However, it is not expected that such transaction costs will be significant and they will not have a material impact on the shareholders of the Receiving Fund and the Merging Fund. Further information relating to dilution adjustments is available in the Prospectus in section 2.4 "Calculation of Net Asset Value". The Prospectus is available at [www.schroders.lu](http://www.schroders.lu).

### **Exchange ratio, treatment of accrued income and consequences of the Merger**

On the Effective Date, the net assets of the Merging Fund will be transferred to the Receiving Fund. For the shares of each class that they hold in the Merging Fund, shareholders of the Merging Fund will receive an equal amount by value of shares of the corresponding class in the Receiving Fund. The exchange ratio of the Merger will be the result of the ratio between the net asset value of the relevant class of the Merging Fund and the net asset value or initial issue price of the relevant class of the Receiving Fund as of the Effective Date. While the overall value of the shareholders' holdings will remain the same, shareholders may receive a different number of shares in the Receiving Fund than they had previously held in the Merging Fund.

Any accrued income relating to the Merging Fund's shares at the time of the Merger will be included in the calculation of the final net asset value per share of the Merging Fund and will be accounted for after the Merger in the net asset value per share of the Receiving Fund. The Receiving Fund will not bear any additional income, expenses and liabilities attributable to the Merging Fund accruing after the Effective Date.

You will thus become a shareholder of the Receiving Fund, in the share class which corresponds to your current holding in the Merging Fund. A full summary of which Merging Fund share classes will be merged into which Receiving Fund share classes can be found under section "Existing and New Share Class Mapping" in the Appendix.

The first dealing date for your shares in the Receiving Fund will be **18 February 2021**, the related deal cut-off for this dealing day being 1.00 p.m. Luxembourg time on the dealing day.

### **Rights of shareholders to redeem/switch**

If you do not wish to hold shares in the Receiving Fund from the Effective Date, you have the right to redeem your holding in the Merging Fund or to switch into another Schroder fund at any time up to and including the dealing day on **10 February 2021**.

HSBC will execute your redemption or switch instructions in accordance with the provisions of the Prospectus free of charge, although in some countries local paying agents, correspondent banks or similar agents may charge transaction fees. Local agents may also have a local deal cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach HSBC before the 1.00 p.m. Luxembourg time deal cut-off on **10 February 2021**.

Subscriptions or switches into the Merging Fund from new investors will not be accepted after deal cut-off on **18 January 2021**. To allow sufficient time for changes to be made to regular savings plans and similar facilities, subscriptions or switches into the Merging Fund will be accepted from existing investors until **27 January 2021** (deal cut-off at 1.00 p.m. on **27 January 2021**).

### **Tax status**

The conversion of shares at the time of the Merger and / or your redemption or switch of shares prior to the Merger might affect the tax status of your investment. We therefore recommend that you seek independent professional advice in these matters.

**Further information**

We advise shareholders to read the Receiving Fund's key investor information document (the KIID) which accompanies this letter. This is a representative KIID for the Receiving Fund, showing information for a standard share class (A share class). It is, together with the KIIDs of all other available share classes, available at [www.schroders.lu](http://www.schroders.lu). The Prospectus is also available at that address.

An audit report will be prepared by the approved statutory auditor in relation to the Merger and will be available free of charge upon request from the Management Company.

We hope that you will choose to remain invested in the Receiving Fund after the Merger. If you would like more information, please contact your local Schroders office, your usual professional adviser or the Management Company on (+352) 341 342 202.

Yours faithfully,



**Cecilia Vernerson**  
Authorised Signatory



**Nirosha Jayawardana**  
Authorised Signatory

## Appendix

### Key Features Comparison Table

The following is a comparison of the principal features of the Merging Fund and the Receiving Fund. Both are sub-funds of the Company. Full details are set out in the Prospectus and shareholders are also advised to consult the KIID of the Receiving Fund.

	<b>Merging Fund – Schroder International Selection Fund – UK Alpha Income</b>	<b>Receiving Fund – Schroder International Selection Fund – UK Equity</b>
<b>Prospectus Investment Objective and Policy</b>	<p><b>Investment Objective</b> The Fund aims to provide income and capital growth in excess of the FTSE All Share Total Return index after fees have been deducted over a three to five year period by investing in equity and equity related securities of UK companies.</p> <p><b>Investment Policy</b> The Fund is actively managed and invests at least two-thirds of its assets in equities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK. 'Alpha' funds invest in companies in which the Investment Manager has a high conviction that the current share price does not reflect the future prospects for that business. The Fund may also invest in equity and equity related securities of companies worldwide and fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies worldwide. 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. The Fund may invest up to 10% of its assets in open-ended Investment Funds (including</p>	<p><b>Investment Objective</b> The Fund aims to provide capital growth in excess of the FTSE All Share Total Return index after fees have been deducted over a three to five year period by investing in equity and equity related securities of UK companies.</p> <p><b>Investment Policy</b> The Fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of UK companies. 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. The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p> <p><b>Benchmark</b> The Fund's performance should be assessed against its target benchmark being to exceed the FTSE All Share Total Return Index. The Fund's investment universe is expected to overlap materially with the components of the target benchmark. The Investment Manager invests on a discretionary basis and there are no restrictions</p>

	<p>other Schroder Funds). The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.</p> <p><b>Benchmark</b></p> <p>The Fund's performance should be assessed against its target benchmark being to exceed the FTSE All Share Total Return Index. The Fund's investment universe is expected to overlap materially 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. 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>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. 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>KIID Investment Objective and Policy</b></p>	<p><b>Investment Objective</b></p> <p>The fund aims to provide income and capital growth in excess of the FTSE All Share Total Return Index after fees have been deducted over a three to five year period by investing in equities of UK companies</p> <p><b>Investment Policy</b></p> <p>The fund is actively managed and invests at least two-thirds of its assets in equities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK. 'Alpha' funds invest in companies in which we believe the current share price</p>	<p><b>Investment Objective</b></p> <p>The fund aims to provide income and capital growth in excess of the FTSE All Share Total Return Index after fees have been deducted over a three to five year period by investing in equities of UK companies.</p> <p><b>Investment Policy</b></p> <p>The fund is actively managed and invests at least two-thirds of its assets in equities of UK companies. These are companies that are incorporated, headquartered or have their principal business activities in the UK. 'Alpha' funds invest in companies in which we believe the current share price</p>

	<p>does not reflect the future prospects for that business. The fund may also invest in equities and bonds of companies and governments worldwide. The fund may also invest 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. The fund may invest up to 10% of its assets in open-ended investment funds (including other Schroder funds). The fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the fund more efficiently.</p> <p><b>Benchmark</b></p> <p>The fund's performance should be assessed against its target benchmark being to exceed the FTSE All Share Total Return Index. The majority of the fund's investments may be components of the benchmark. The investment manager invests on a discretionary basis and is not limited to investing in accordance with the composition of the benchmark. The investment manager will invest in companies or sectors not included in the benchmark in order to take advantage of specific investment opportunities.</p>	<p>does not reflect the future prospects for that business. The fund may also invest in equities and bonds of companies and governments worldwide. The fund may also invest 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. The fund may invest up to 10% of its assets in open-ended investment funds (including other Schroder funds). The fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the fund more efficiently.</p> <p><b>Benchmark</b></p> <p>The fund's performance should be assessed against its target benchmark being to exceed the FTSE All Share Total Return Index. The majority of the fund's investments may be components of the benchmark. The investment manager invests on a discretionary basis and is not limited to investing in accordance with the composition of the benchmark. The investment manager will invest in companies or sectors not included in the benchmark in order to take advantage of specific investment opportunities.</p>
<b>Investment Manager</b>	Schroder Investment Management Limited	Schroder Investment Management Limited
<b>Synthetic Risk and Reward Indicator (SRRI)</b>	Category 5	Category 5
<b>KIID Risk Disclosures</b>	<p><b>Capital risk / Distribution policy:</b> As the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of the amount you invested.</p> <p><b>Concentration risk:</b> The fund may be concentrated in a limited</p>	<p><b>Concentration risk:</b> The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.</p>

	<p>number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.</p> <p><b>Currency risk:</b> The fund may lose value as a result of movements in foreign exchange rates.</p> <p><b>Liquidity risk:</b> In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.</p> <p><b>Operational risk:</b> Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.</p> <p><b>Performance risk:</b> Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.</p> <p><b>IBOR:</b> The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.</p> <p><b>Derivatives risk – Efficient Portfolio Management and Investment Purposes:</b> Derivatives may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim</p>	<p><b>Currency risk:</b> The fund may lose value as a result of movements in foreign exchange rates.</p> <p><b>Liquidity risk:</b> In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.</p> <p><b>Operational risk:</b> Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.</p> <p><b>Performance risk:</b> Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.</p> <p><b>IBOR:</b> The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.</p> <p><b>Derivatives risk – Efficient Portfolio Management and Investment Purposes:</b> Derivatives may be used to manage the portfolio efficiently. A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in</p>
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	of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.	greater losses than investing in the underlying asset.
<b>Profile of the Typical Investor</b>	The Fund may be suitable for Investors who are more concerned with maximising long term returns than minimising possible short term losses.	The Fund may be suitable for Investors who are seeking long term growth potential offered through investment in equities.
<b>Fund Category</b>	Specialist Equity Fund	Mainstream Equity Fund
<b>Fund Currency</b>	GBP	GBP
<b>Launch Date</b>	06 May 2005	13 April 1993
<b>Fund Size (at end June 2020)</b>	GBP 14m	GBP 63m
<b>Dealing Cut-off Time and Settlement Periods for Subscriptions and Redemptions</b>	Orders must reach HSBC before 13:00 Luxembourg time on the dealing day to be executed that day.  The settlement periods for subscription and redemption are within three business days following a dealing day.	Orders must reach HSBC before 13:00 Luxembourg time on the dealing day to be executed that day.  The settlement periods for subscription and redemption are within three business days following a dealing day.
<b>Initial Charge</b>	A: up to 5.00% of the total subscription amount (equivalent to 5.26315% of the Net Asset Value per Share)  C: up to 1.00% of the total subscription amount (equivalent to 1.0101% of the Net Asset Value per share)  IZ: None  S: None	A: up to 5.00% of the total subscription amount (equivalent to 5.26315% of the Net Asset Value per Share)  C: up to 1.00% of the total subscription amount (equivalent to 1.0101% of the Net Asset Value per share)  IZ: None  S: None
<b>Management Fees by share class</b>	A: 1.50% per annum  C: 0.75% per annum  S: 0.38% per annum  IZ: Up to 0.75% per annum	A: 1.25% per annum  C: 0.75% per annum  S: 0.38% per annum  IZ: Up to 0.75% per annum

<b>Ongoing Charges by share class</b>	A: 1.85% per annum C: 1.05% per annum S: 0.68% per annum IZ: 0.82% per annum	A: 1.59% per annum C: 1.04% per annum S: 0.67% per annum IZ: 0.81% per annum
<b>Performance fee details</b>	None	None
<b>Existing and New Share Class Mapping</b>	<b>Existing Share Class Held</b> A Distribution GBP C Distribution GBP C Accumulation GBP IZ Accumulation GBP S Distribution GBP A Distribution EUR C Distribution EUR C Accumulation EUR C Accumulation EUR Hedged A Distribution USD C Distribution USD	<b>New Share Class to be Held</b> A Distribution GBP C Distribution GBP C Accumulation GBP IZ Accumulation GBP S Distribution GBP A Distribution EUR* C Distribution EUR* C Accumulation EUR* C Accumulation EUR Hedged* A Distribution USD C Distribution USD*

The Merger will also apply to any additional share classes launched prior to the Effective Date.

\* This share class will be launched on the Effective Date to facilitate the Merger.