

**4 June 2018**

Dear Shareholder,

## **Schroder International Selection Fund – Multi-Asset Strategies**

The board of directors of Schroder International Selection Fund (the "Company") has decided to change the name, investment objective and policy, and expected leverage level of Schroder International Selection Fund – Multi-Asset Strategies (the "Fund") with effect from 6 July 2018 (the "Effective Date").

It has also decided that with effect from 30 June 2018 the management fee for C, CN and CX share classes of the Fund will be reduced from 1.00% to 0.60% and the performance fee removed from all share classes.

### **Name change**

The Fund's new name will be Schroder International Selection Fund – Alternative Risk Premia for the reason described below.

### **Investment Objective and Small Policy change and increase of leverage**

As financial markets have evolved we have seen growing interest from clients in our alternative risk premia strategies. These strategies form approximately 40% of the Fund's existing portfolio and aim to reward investors for bearing risks that other market participants are unable or unwilling to bear. Going forward the Fund will aim to invest its assets predominantly in these strategies. As a consequence, the board of directors of the Company has decided to change the name of the Fund as indicated above.

The previous expected level of leverage, as stated in the Company's prospectus, was 800% of the total net assets of the Fund. From the Effective Date, this will be increased to 1500% of the total net assets of the Fund due to an increased allocation to alternative risk premia strategies. The increased allocation to these strategies will result in an increase in overall fund leverage.

The investment objective and policy of the Fund and the section "Excepted Leverage", which are contained in the Company's prospectus, will be changed from:

#### **"Investment Objective**

The Fund aims to provide capital growth of USD 3 month LIBOR +3-5% per annum (gross of fees) over a market cycle by actively allocating across a diversified range of assets and markets worldwide. The Fund aims to provide this return with a volatility (a measure of how much the Fund's returns may vary over a year) of between 4-10% per annum.

#### **Investment Policy**

The Fund utilises a global tactical asset management strategy designed to capture relative value opportunities across and within asset classes including equity and equity related securities, fixed

income securities including government bonds and corporate bonds, commodities currencies and volatility. These strategies may include synthetic long and short positions. These types of strategies aim to benefit from valuation anomalies that can appear between the long and the short assets in the relevant strategy. As the Fund is index-unconstrained it is managed without reference to an index.

Examples of strategies include, but are not limited to, the following:

- value v. growth equities
- small cap v. large cap equities
- equities from different regions, for example Japanese v. European
- equities from different sectors, for example financials v. utilities
- long duration bonds v. short duration bonds
- corporate bonds v. government bonds
- bonds from different regions, for example Australia v. UK
- relative value strategies between different currencies
- relative value strategies between different commodities

The Fund may also invest in long only or short only positions where a particular equity, bond or commodity market or sector appears to be under-valued or over-valued on an absolute basis. The investment process is designed to identify these anomalies and is based on research that analyses valuation, sentiment and macroeconomic factors. The portfolio construction process uses a proprietary risk system designed to ensure that the Fund has exposure to a well-diversified mix of these strategies and that the manager believes has an expected risk level consistent with the Fund's Investment Objective.

The Fund is managed to maintain a balanced exposure between long and short positions. The Fund's holdings will be sufficiently liquid at all times to cover the Fund's obligations arising from its derivative long and short positions. The investment strategy of the Fund and the use of derivatives may lead to situations where it is considered appropriate that prudent levels of cash and money market instruments will be maintained, which may be substantial or even represent (exceptionally) 100% of the Fund's assets.

The Fund may invest in transferable securities (such as equities or debt securities), derivatives (including total return swaps), open-ended Investment Funds and money market instruments, and hold cash. The Fund may invest in sub-investment grade securities (being securities with a credit rating below investment grade as measured by Standard & Poor's or any equivalent grade of other credit rating agencies). The exposure to commodities will be taken through eligible assets as described under the definition of "Alternative Asset Classes" in Appendix III of this Prospectus. Where the Fund uses total return swaps and contracts for difference, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and Investment Policy. In particular, total return swaps and contracts for difference may be used to gain long and short exposure on equity and equity related securities, fixed and floating rate securities and commodity indices. The gross exposure of total return swaps and contracts for difference will not exceed 500% and is expected to remain within the range of 0% to 150% of the Net Asset Value. In certain circumstances this proportion may be higher.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently".

### **"Expected Leverage**

800% of the total net assets"

to:

### **"Investment Objective**

The Fund aims to provide capital growth of USD 3 month LIBOR +5% per annum (gross of fees) over a market cycle by investing in a diversified range of assets and markets worldwide. The Fund aims to provide this return whilst targeting an average annual volatility (a measure of how much the Fund's returns may vary over a year) of 10%.

### **Investment Policy**

The Fund invests in asset classes including, but not limited to, equity and equity related securities, fixed and floating rate securities, currencies and commodities, in order to provide exposure to long and short strategies.

Alternative Risk Premia (ARP) can be defined as a reward or compensation for bearing some form of risk that other market participants are unable or unwilling to bear. Such risk can arise from behavioural, economic or structural sources. ARP are different to traditional risk premia such as the equity risk premium (which can be viewed as the excess return that investing in equities provides over the risk-free rate). The Fund invests at least two thirds of its assets in Alternative Risk Premia strategies.

ARP strategies are generally grouped into style categories such as carry, momentum and value. Accordingly, the Fund will seek to provide returns via a diversified range of long and short strategies that target, but are not limited to, styles such as:

- Carry: taking long positions in high yielding assets and short positions in low yielding assets
- Momentum: taking advantage of the tendency for recent price trends to continue
- Value: taking long positions in cheap assets and short positions in expensive assets.

The Fund uses a proprietary risk system designed to ensure that the Fund has exposure to a diversified range of these strategies that the Investment Manager believes have an expected risk level consistent with the Fund's Investment Objective.

The Fund is managed to maintain a balanced exposure between long and short positions (gained through derivatives).

The Fund may invest in sub-investment grade securities (being securities with a credit rating below investment grade as measured by Standard & Poor's or any equivalent grade of other credit rating agencies). The exposure to commodities will be taken through eligible assets as described under the definition of "Alternative Asset Classes" in Appendix III of this Prospectus.

The Fund may use derivatives (including total return swaps) with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. Where the Fund uses total return swaps and contracts for difference, the underlying consists of instruments in which the Fund may invest

according to its Investment Objective and Investment Policy. In particular, total return swaps and contracts for difference may be used to gain long and short exposure on equity and equity related securities, fixed and floating rate securities and commodity indices. The gross exposure of total return swaps and contracts for difference will not exceed 750% and is expected to remain within the range of 0% to 500% of the Net Asset Value. In certain circumstances this proportion may be higher.

The Fund's holdings will be sufficiently liquid at all times to cover the Fund's obligations arising from its derivative long and short positions. The investment strategy of the Fund and the use of derivatives may lead to situations where it is considered appropriate that prudent levels of cash and money market instruments will be maintained, which may be substantial or even represent (exceptionally) 100% of the Fund's assets".

The Fund may also invest in open-ended Investment Funds.

### **"Expected Leverage**

1500% of the total net assets"

### **Profile of the Typical Investor**

As a result of the above changes the section in the prospectus headed 'Profile of the Typical Investor' will change. From the Effective date this section will change from:

"The Fund may be suitable for Investors who are seeking long term growth potential offered through investment in a diversified range of assets and markets."

to:

"The Fund is suitable for Investors with a longer term investment horizon and who are more concerned with longer-term returns than short-term losses. The Fund is not intended for retail Investors; it is intended for institutional, professional and sophisticated Investors. A sophisticated Investor means an Investor who:

- a) understands the Fund's strategy, characteristics and risks in order to make an informed decision; and
- b) has knowledge of or investment experience in, financial products that use complex derivatives and/or derivative strategies (such as this Fund) and financial markets generally."

All other key features of the Fund will remain the same. The ISIN codes of the share classes affected by the above changes are listed in the appendix of this letter.

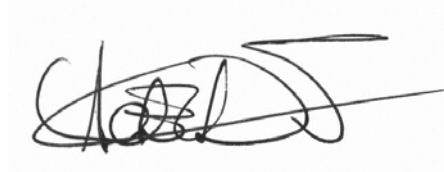
We hope that you will choose to remain invested in the Fund following these changes, but if you do wish to redeem your holding in the Fund or to switch into another of the Company's sub-funds before the Effective Date you may do so at any time up to and including deal cut-off on 4 July 2018. Schroder Investment Management (Luxembourg) S.A. will execute your redemption or switch instructions in accordance with the provisions of the Company's prospectus, 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 deal cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach Schrodgers in Luxembourg before the deal cut-off on 4 July 2018.

If you have any questions or would like more information about Schroders' products please contact your local Schroders office, your usual professional adviser, or Schroder Investment Management (Luxembourg) S.A. on (+352) 341 342 212.

Yours faithfully,



**Cord Rodewald**  
Authorised Signatory



**Alastair Woodward**  
Authorised Signatory

**Appendix**

ISIN codes of share classes affected by the changes

<b>Share class</b>	<b>Share class currency</b>	<b>ISIN code</b>
C Accumulation	USD	LU0487285537
I Accumulation	USD	LU0487285610
C Accumulation	EUR Hedged	LU0548349421
I Accumulation	EUR Hedged	LU0509949532
I Accumulation	GBP Hedged	LU0820943263