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Unless otherwise stated herein, capitalised terms in this letter shall have the same meaning(s) as defined in the Explanatory Memorandum of the Schroder China Asset Income Fund dated December 2017, as amended and supplemented from time to time (the “**Explanatory Memorandum**”).

14 December 2017

Dear Unitholders

SCHRODER UMBRELLA FUND II - SCHRODER CHINA ASSET INCOME FUND (the “Fund”)

We are writing to inform you of the following changes to the Fund:

(A) Change in Investment Objective & Policy – Direct exposure to onshore Chinese fixed income securities via Bond Connect

Change in Investment Objective & Policy

Currently, the Fund may invest less than 30% of its net asset value in Chinese fixed income securities issued or distributed within mainland China (“**Onshore Chinese fixed income securities**”) indirectly through for example investment funds and exchange traded funds and directly via investing in mainland China interbank bond markets (“**China Interbank Bond Market**”) under Foreign Access Regime. The Foreign Access Regime is a scheme launched in 2016 to open up the China Interbank Bond Market to eligible foreign institutional investors to access Onshore Chinese fixed income securities directly.

As a result of the launch of a new initiative in July 2017 for mutual bond market access between Hong Kong and Mainland China (“**Bond Connect**”), the Manager proposes to change the investment policy of the Fund to provide flexibility to the Fund to invest directly in Onshore Chinese fixed income securities via Bond Connect, in addition to the Foreign Access Regime, with immediate effect.

The Fund's direct exposure to Onshore Chinese fixed income securities gained via investing in the China Interbank Bond Market under Foreign Access Regime and Bond Connect, together with any indirect exposure to the Onshore Chinese fixed income securities will remain unchanged (i.e. less than 30% of its net asset value).

Bond Connect

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit. Under the prevailing regulations in mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of Bond Connect ("**Northbound Trading Link**"). There will be no investment quota for Northbound Trading Link.

Please note that investments in Chinese debt securities traded in the China Interbank Bond Market through Bond Connect are subject to risks such as liquidity, volatility, regulatory, mainland China tax risk and risks associated with settlement procedures and default of counterparties.

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fails to function properly, trading through Bond Connect may be disrupted. The Fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected.

For further information relating to the Bond Connect and the risk associated with investing in the China Interbank Bond Market, please refer to the latest Explanatory Memorandum (including Product Key Facts Statement).

Immaterial Change

The Manager considers the use of Bond Connect as an additional means in accessing the Onshore Chinese fixed income securities market and, as such, the change to the investment policy as set out above is considered as an immaterial change.

Since there is no increase in the Fund's aggregate direct and indirect exposure to Onshore Chinese fixed income securities (i.e. less than 30%), the Manager believes that there will be no increase in the overall risk profile of the Fund following the change. As such, it is not required to obtain prior approval from the Securities and Futures Commission ("**SFC**") or provide one month's prior written notice to Unitholders for the purposes of such change.

For the avoidance of doubt, any changes in the investment objective and/or policy of the Fund which are not immaterial changes will be subject to the requirements of the Code on Unit Trusts and Mutual Funds issued by the SFC.

Please refer to the latest Explanatory Memorandum (including Product Key Facts Statement) of the Fund for further information on the risks involved.

(B) Amendments to the Explanatory Memorandum

Please refer to the latest Explanatory Memorandum (including Product Key Facts Statement), which has been revised to reflect the above changes, for further information.

The revised Explanatory Memorandum (including Product Key Facts Statement) is available upon request from the office of the Manager at Level 33, Two Pacific Place, 88 Queensway, Hong Kong and are also available on Schroders' website at www.schroders.com.hk. The website is not authorised by the SFC.

This notification is to provide you with updated information in relation to the Fund. You are not required to take any action with respect to this letter. 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



Chris Durack

Chief Executive Officer, Hong Kong