

***IMPORTANT: This letter requires your attention. If you have any questions about the content of this letter, you should seek independent professional advice. Schroder Investment Management (Hong Kong) Limited (“the Manager”) accepts full responsibility for the accuracy of the information contained in this document 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.***

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 2016, as amended and supplemented from time to time (the “**Explanatory Memorandum**”).

3 April 2017

Dear Unitholders

## **SCHRODER UMBRELLA FUND II - SCHRODER CHINA ASSET INCOME FUND**

We are writing to inform you of the following changes to Schroder China Asset Income Fund (the “**Fund**”), which is a sub-fund of the Schroder Umbrella Fund II:

### **(A) Change in Investment Objective & Policy – Direct Exposure to Chinese fixed income securities via the China Interbank Bond Market**

#### Change in Investment Objective & Policy

Currently, the Fund may only invest in Chinese fixed income securities distributed within mainland China (“**Onshore Chinese fixed income securities**”) indirectly through for example investment funds and exchange traded funds (“**ETFs**”). As a result of recent regulatory changes in mainland China which permit investments on the China Interbank Bond Market (“**CIBM**”) without an RQFII quota (subject to obtaining appropriate regulatory approval), 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 the CIBM with immediate effect.

The Fund’s direct exposure to Onshore Chinese fixed income securities gained via the CIBM together with any indirect exposure to the Onshore Chinese fixed income securities will be less than 30% of its net asset value.

#### China Interbank Bond Market Initiative

CIBM is the over-the-counter market for bonds issued and traded in mainland China. A new scheme was launched in 2016 to open up CIBM to eligible foreign institutional investors to access onshore bonds directly (“**CIBM Initiative**”). Under this scheme, foreign institutions can trade bonds directly through onshore settlement agents (i.e. banks) in mainland China. There are no specific quota limits imposed on the foreign institutional investor.

For further information relating to the CIBM Initiative and the risk associated with the CIBM, please refer to the latest Explanatory Memorandum.

### Immaterial Change

The Manager considers the use of the CIBM as an additional means in accessing the 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 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, which has been revised to reflect the above changes, for further information.

The revised Explanatory Memorandum and Product Key Facts Statement are 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](http://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