

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 Asian Asset Income Fund dated July 2018, as amended and supplemented from time to time (the "**Explanatory Memorandum**").

6 August 2018

Dear Unitholders

SCHRODER UMBRELLA FUND II - SCHRODER ASIAN ASSET INCOME FUND (the "Fund")

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

(A) Change in Investment Policy – Direct Exposure to China A-Shares through Shenzhen-Hong Kong Stock Connect and Direct exposure to onshore Chinese fixed income securities via Bond Connect

Direct Exposure to China A-Shares through Shenzhen-Hong Kong Stock Connect

The Manager proposes to change the investment policy of the Fund to provide flexibility to the Fund to invest directly in eligible China A-Shares via the Shenzhen-Hong Kong Stock Connect ("Shenzhen-Hong Kong Stock Connect") in addition to investment via the Shanghai-Hong Kong Stock Connect, with effect from 30 July 2018.

Shenzhen-Hong Kong Stock Connect

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Fund), through their Hong Kong brokers and a securities trading service company established by The Stock Exchange of Hong Kong Limited ("SEHK"), may be able to trade eligible China A-Shares listed on the Shenzhen Stock Exchange ("SZSE") by routing orders to SZSE. Under the Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect investors in mainland China will be able to trade certain stocks listed on the SEHK.

Under the Shenzhen-Hong Kong Stock Connect, the Fund, through their Hong Kong brokers may trade certain eligible shares listed on the SZSE. These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed shares of companies which have issued both China A-Shares and H-Shares, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the “risk alert board”.

At the initial stage of the Northbound Shenzhen Trading Link, investors eligible to trade shares that are listed on the ChiNext Board of SZSE under the Northbound Shenzhen Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

For further information relating to the Shenzhen-Hong Kong Stock Connect and the risk associated with the Shenzhen-Hong Kong Stock Connect, please refer to the latest Explanatory Memorandum (including Product Key Facts Statement).

Direct exposure to onshore Chinese fixed income securities via Bond Connect

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 fixed income and debt instruments issued or distributed in mainland China (“**Onshore Chinese fixed income securities**”) via investing in mainland China interbank bond markets (“**China Interbank Bond Market**”) under Bond Connect with effect from 30 July 2018.

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, PRC 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).

For the avoidance of doubt, the Fund's aggregate direct and indirect exposure to China A-shares, China B-shares and Onshore Chinese fixed income securities will not exceed 20% of its net asset value.

(B) Enhancement of disclosures - investment policy

For the purpose of clarifying investment policies to reflect current best practice in the market, and also for the purpose of enhancement to align with the disclosure requirements of the SFC's Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds ("Guide"), the disclosures on the investment policy of the Fund have been enhanced. Notwithstanding such enhancement of disclosures, there will be no change to the way the Fund is managed in practice, save for the change of investment policy as described above.

(C) 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