

Issuer: Schroder Investment Management (Luxembourg) S.A.

October 2013

***This statement provides you with key information about this product.
This statement is a part of the offering document and should be read in conjunction
with the offering document.
You should not invest in this product based on this statement alone.***

Quick facts

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|---|--|
| Management company: | Schroder Investment Management (Luxembourg) S.A. |
| Investment manager: | Schroder Investment Management Limited, located in the United Kingdom, internal delegation |
| Custodian: | J.P. Morgan Bank Luxembourg S.A. |
| Dealing frequency: | Daily |
| Base currency: | USD |
| Dividend policy: | <p>A, A1 and D Accumulation share class – Dividend will not be distributed but will be reinvested into the fund.</p> <p>A, A1 and D Distribution share class – The board of directors has discretion as to whether or not to make any distribution.</p> <p>Distributions may be paid out of capital and reduce the fund's net asset value.</p> <p>The board of directors of Schroder International Selection Fund will periodically review the distribution share classes and reserve the right to change the rate and/or frequency of distributions of distribution share classes, subject to one month's prior notification to the relevant shareholders. If the board of directors does not intend to retain the flexibility to pay dividends or expenses out of capital, the change will be subject to the SFC's prior approval and one month's prior notification to the relevant shareholders.</p> |
| Financial year end of this fund: | 31 December |
| Minimum investment: | A, A1 and D share class: Initial – EUR1,000 or USD1,000; Subsequent investment – EUR1,000 or USD1,000 |

What is this product?

This is a sub-fund of Schroder International Selection Fund, a mutual fund domiciled in Luxembourg and its home regulator is Commission de Surveillance du Secteur Financier.

Objectives and investment strategy

Investment Objective

To provide income and capital growth over the medium to longer term by investing primarily in global equities and global fixed income securities directly or indirectly through the use of investment funds or financial derivative instruments (including, but not limited to, futures, options and credit default swaps).

Investment Policy

The fund will seek to achieve the investment objective by actively allocating between equity securities of companies globally, which offer attractive yields and sustainable dividend payments, global bonds and other fixed or floating rate securities (including, but not limited to, asset-backed securities and mortgage backed securities), issued by governments, government agencies, supra-national or corporate issuers, which offer attractive yields, cash (which will be treated as a separate asset class and will be deployed if necessary to limit downside risk during adverse market conditions) and alternative assets indirectly through exchange trade funds, real estate investment trusts and/or eligible derivative transactions. The alternative assets which the fund may invest include real estate, infrastructure, private equity, commodities, precious metals and alternative investment funds.

Asset-backed securities and mortgage-backed securities will not exceed 20% of the net assets of the fund. The fund will not invest more than 10% into investment funds. As part of its primary objective, the fund also has the flexibility to implement active currency positions either via currency forwards or via the above instruments.

The fund may substantially invest in non-investment grade and unrated securities. It is the current intention of the investment manager that the fund will not invest more than 10% of its net asset value in securities issued by or guaranteed by any single country with a credit rating below investment grade.

Use of financial derivative instruments (“FDI”)

The fund may employ FDI for hedging and investment purposes. FDI may be used to gain exposure to a wide range of asset classes including, but not limited to, currencies, estate, infrastructure and commodities. Such FDI include, but are not limited to, over-the-counter and/or exchange traded options, futures, warrants, swaps, forward contracts and/or a combination of the above. However, the fund does not intend to use FDI extensively for investment purposes.

What are the key risks?

Investment involves risk. Please refer to the offering document for details including the risk factors.

1. Equity investment risk

Investment in equity securities is subject to the risk that the market value of the stocks may go down as well as up due to numerous factors such as changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations. If the market value of the stocks go down the net asset value of the fund may be adversely affected.

2. Credit risk

Investment in bonds or other debt securities is subject to the credit risk of the issuer. In the event that any issuer of bonds or other debt securities in which the fund invests defaults, becomes insolvent or experiences financial or economic difficulties, this may affect the value of the relevant securities (which may be zero) and may in turn adversely affect the net asset value per share of the fund and investors may suffer losses.

3. Interest rates risks

Changes in market interest rates will affect the value of debt securities held by the fund. Generally, the market value decreases when interest rates rise and increases when interest rates fall. Any fluctuations in interest rates may adversely affect the net asset value per share of the fund and investors may as a result suffer losses.

4. Lower or unrated, higher yielding debt securities risk

The fund may invest substantially in non-investment grade and unrated securities. Investments in such debt securities are subject to greater credit risk than higher rated securities. There is greater possibility that adverse changes in the financial conditions of an issuer of such lower rated securities may impair the ability of such issuer to make payments to holders of the securities and this may adversely affect the net asset value of the fund.

5. Sovereign debt risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of risk. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In the event that a government entity defaults on its sovereign debt, holders of sovereign debt, including the fund, may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant government entity. Such events may negatively impact the performance of the fund.

6. Mortgage related and other asset backed securities (“ABS”)

ABS are subject to interest rate risk, a higher degree of credit risk, valuation risk and liquidity risk. The main factors for credit risk are the likelihood of the borrower paying the promised cash flows and the value of the collateral. If an underlying borrower becomes insolvent or the collateral loses in value, the ABS may become worthless. This may adversely affect the net asset value per share of the fund.

7. Risk of implementing active currency positions

The investment manager has the flexibility to actively manage currency positions which it considers will achieve the investment objective of the fund. However no guarantee or representation is made that such investment strategy/technique will be successful.

When implementing active currency positions, the fund may enter into currency forwards or other instruments with the aim of protecting the value of the assets of the fund against untoward foreign exchange risks and actively managing currency positions of the fund. Currency forwards or other instruments do not eliminate fluctuations in the prices of the fund's securities or in foreign exchange rates, or prevent loss if the prices of these securities decline. Performance may be strongly influenced by movements in foreign exchange rates because currency positions held by the fund may not correspond with securities positions held. In such circumstances, the fund's assets may be exposed to the losses which may in turn adversely affect the net asset value per share of the fund and investors may suffer losses.

8. FDI

The fund may use FDI to meet its specific investment objective. There is no guarantee that the performance of FDI will result in a positive effect for the fund. FDI exposure may lead to a high risk of significant capital loss. Risks associated with FDI include credit risk and counterparty risk, liquidity risk, valuation risk, volatility risk, over-the-counter transaction risks and hedging risk. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. In adverse situations, the use of hedging instruments may become ineffective in hedging and the fund may suffer significant losses.

9. Risks relating to distributions

- For distribution share classes with a general dividend policy, expenses will be paid out of capital rather than out of gross income. The amount of distributable income therefore increases and the amount so increased may be considered to be dividend paid out of capital; capital growth will be reduced and in periods of low growth capital erosion may occur.
- Distributions from capital may include a premium or discount which is determined by differences in the interest rates of the reference currency of the hedged share class and the fund currency. It is possible that there may be an increase in the amount of the distribution that is paid out of capital and hence a greater erosion of capital than other share classes. The distribution and net asset value of the share class may be positively or adversely affected by the differences in the interest rates of the reference currency of the hedged share class and the fund currency. The distribution and net asset value of the hedged share class may, therefore fluctuate more than, and may significantly differ from, other share classes.
- Distribution share classes with a fixed dividend policy will distribute the dividends based on a fixed amount or fixed percentage of the net asset value per share. This may result in share classes with fixed distributions either paying out both income and capital in distribution payments, or not substantially distributing all the investment income which a share class has earned.
- **You should note that in the circumstances where the payment of distributions are paid out of capital, this represents and amounts to a return or withdrawal of part of the amount you originally invested or capital gains attributable to that and may result in an immediate decrease in the net asset value of shares.**

Is there any guarantee?

This fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the shares of the fund.

| Fee | What you pay | | |
|------------------------------------|---|--|-----|
| Share class | A | A1 | D |
| Subscription fee (Initial charge) | Up to 5.00% of the total subscription amount | Up to 4.00% of the total subscription amount | Nil |
| Switching fee (Switching charge) | Up to 1.00% of the value of the shares to be switched | | |
| Redemption fee (Redemption charge) | Nil | | |

Ongoing fees payable by the fund

The following expenses will be paid out of the fund. They affect you because they reduce the return you get on your investments.

| | Annual rate (as a % of the fund's value) | | |
|---|--|-------|-------|
| Share class | A | A1 | D |
| Management fee | 1.25% | 1.25% | 1.25% |
| Custodian fee | Up to 0.005% | | |
| Performance fee | Nil | Nil | Nil |
| Administration fee | Up to 0.4% | | |
| Distribution charge | Nil | 0.50% | 1.00% |
| Custody safekeeping fees | Up to 0.5% | | |
| Transaction fees (charged by the custodian) | Up to USD150 per transaction | | |
| Fund accounting and valuation fees | Up to 0.02%, subject to an annual minimum fee of USD20,000 | | |

Other fees

You may have to pay other fees when dealing in the shares of the fund. Please refer to “Other Charges and Expenses” of the offering document for fees payable by the fund.

Additional information

- You generally buy and redeem shares at the fund's relevant net asset value (NAV) after Schroder Investment Management (Hong Kong) Limited receives your request, directly or via a distributor, in good order at or before 5pm HK time, being the fund's dealing cut-off time on each dealing day of the fund. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the fund's dealing cut-off time).
- A dividend calendar including details on the distribution frequency and the dividend calculation basis for all available Distribution share classes and a composition of the dividend payments (i.e. the percentages of distribution being paid out of capital and net distributable income) for the last twelve months for each of these Distribution share classes (i) with a variable distribution policy or (ii) with a fixed dividend policy and paying dividends out of capital are also available from the Schroder Investment Management (Hong Kong) Limited on request and from the Schroders' Internet site (www.schroders.com.hk).
- The net asset value of this fund is calculated and the price of shares is published on each business day in the South China Morning Post and the Hong Kong Economic Times. They are also available online at www.schroders.com.hk.

Important

If you are in doubt, you should seek professional advice. The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.