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Schroders

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IMPORTANT: This letter is important and 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 being the manager of the relevant funds accepts full responsibility for the accuracy of the information contained in this letter and confirms, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement misleading.

19 June 2020

Dear Unitholder,

Important changes to our fund administration activities

We refer to our letter to you dated 1 July 2019 notifying you of the delegation of registrar's functions by HSBC Institutional Trust Services (Asia) Limited ("**HTHK**"), the trustee of the funds (as listed in the Appendix) in which you are invested, to HSBC France, Luxembourg Branch ("**HSBC Lux**") on 1 July 2019.

We have been informed by HTHK, that the HSBC group is restructuring how they provide services to our funds in Asia. Consequently, with effect from 1 July 2020, HTHK will instead delegate the registrar's functions to The Hongkong and Shanghai Banking Corporation Limited ("**HBAP**").

This delegation does not affect the investment management of the funds you are invested in, their fee structure or your ownership of units, therefore the purpose of this letter is informational only. You are not required to take any action in response to this letter. The costs of making this change, including regulatory and unitholder communication costs, will not be borne by investors.

The contact details you use are unchanged.

There will be no other changes to existing communication or electronic trading channels due to this change.

If you have any questions or would like more information, please contact your usual professional advisor or Schroder Investment Management (Hong Kong) Limited at Level 33, Two Pacific Place, 88 Queensway, Hong Kong or calling the Schroders Investor Hotline on (+852) 2869 6968.

Yours faithfully,
For and on behalf of
Schroder Investment Management (Hong Kong) Limited



Amy Cho
Chief Executive Officer, Hong Kong

Appendix

1. Schroder Umbrella Fund II
 - Schroder Asian Asset Income Fund
 - Schroder China Equity Alpha Fund
 - Schroder China Fixed Income Fund
 - Schroder China Asset Income Fund
 - Schroder Asian Investment Grade Bond Fund
2. Schroder Balanced Investment Fund
3. Schroder Capital Stable Fund
4. Schroder Stable Growth Fund
5. Schroder Growth Fund
6. Schroder Hong Kong Money Market Fund
7. Schroder U.S. Dollar Money Fund

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

Quick facts

Manager:	Schroder Investment Management (Hong Kong) Limited			
Trustee:	HSBC Institutional Trust Services (Asia) Limited			
Ongoing charges over a year*:	Class C HKD Acc	0.76%	Class A USD Acc	1.20%
	Class C USD Acc	0.76%		
Dealing frequency:	Daily			
Base currency:	HKD			
Dividend policy:	Dividend will not be distributed but will be reinvested into the fund.			
Financial year end of this fund:	30 September			
Minimum investment:	Initial - HKD5,000 or USD1,000; Subsequent investment - HKD5,000 or USD1,000			

* The ongoing charges figure is based on the expenses for the year ended 30 September 2019. This figure may vary from year to year.

What is this product?

This is a fund constituted in the form of a unit trust established under the laws of Hong Kong.

Objectives and investment strategy

The fund's investment objective is capital appreciation in HK dollars through investing in quoted equities, and fixed income securities, other asset classes and money market instruments and cash in any part of the world directly or through investment in funds (including qualified exchange traded funds) ("Underlying Schemes") investing in the foregoing investments. The fund may directly invest up to 70% of its net asset value in quoted equities and up to 70% of its net asset value in fixed income securities. The fund's investment is not subject to any prescribed limit on the region, country, industry, credit rating or market capitalisation of the investment. The manager intends to adopt a relatively balanced approach towards bonds and equities exposure in the fund with the objective of achieving capital appreciation with minimal short term performance volatility.

Up to 100% of the fund's net asset value may be invested in Underlying Schemes. The fund will only invest in other funds authorized by the Securities and Futures Commission (the "SFC") (except for hedge funds under 8.7 of the Code on Unit Trusts and Mutual Funds ("UT Code")) or in eligible schemes^{Note} domiciled in jurisdictions recognized by the SFC (whether authorized by the SFC or not), except that not more than 10% of the fund's net asset value may be invested in non-eligible schemes not authorized by the SFC.

The fund may, if the Manager considers fit, seek exposure of not more than 15% of its net asset value to other asset classes including but not limited to commodities (including energy, metals and agricultural commodities) indirectly through Underlying Schemes.

The fund will actively allocate between different asset classes including equities, fixed income securities, other asset classes, money market instruments and cash to achieve the fund's objectives. The fund will also make changes to the regional allocation within each of the asset class. The fund uses a risk-premia approach to analyse different asset classes to identify the driving forces behind the risks and returns of asset classes. The analysis is based on a combination of fundamental and quantitative factors such as asset class valuation, macroeconomic data and liquidity. Money market instruments and cash will be treated as a separate asset class and will be deployed if necessary to limit downside risk during adverse market conditions.

In addition to active asset allocation, the fund also aims to achieve its investment objectives through investment in the Underlying Schemes, which perform active security selection. The allocation to the Underlying Schemes is actively managed based on the Underlying Schemes' investment universes, investment strategies, risk and return profiles and the prevailing market conditions.

The fund's expected asset allocation ranges for each asset class, either directly or through investment in Underlying Schemes, is expected to be the following:

Equities: 30–70%

Fixed income: 30–70%

Other asset classes: 0–15%

Money market instruments and cash: 0–30%

The fund may acquire financial derivative instruments for hedging and non-hedging purposes.

The fund may invest in Underlying Schemes of which the net derivative exposure is more than 50% of the Underlying Scheme's latest available net asset value. Investment in any single Underlying Scheme with a net derivative exposure exceeding 50% of its net asset value, which is (i) an SFC authorized fund (except for hedge funds under 8.7 of the UT Code) or (ii) an eligible scheme^{Note} which is not authorized by the SFC, will not be more than 30% of the fund's net asset value.

Note: "Eligible schemes" refer to UCITS schemes domiciled in Ireland, Luxembourg or the United Kingdom and, in accordance with their home regulation, such UCITS schemes may adopt the commitment approach or value at risk approach in monitoring the derivative exposure or risk of the UCITS schemes.

Use of derivatives/investment in derivatives

The fund's net derivative exposure may be up to 50% of its net asset value.

What are the key risks?

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

1. General investment risk

The fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the fund may suffer losses. There is no guarantee of the repayment of principal.

2. Equity investment risk

The fund and the Underlying Scheme's 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 various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. If the market value of the stocks go down the net asset value of the fund and the Underlying Scheme may be adversely affected.

3. Risks relating to investment in fixed income securities

- **Credit and counterparty risk** – Investment in fixed income securities is subject to the credit/default risk of the issuer which may also adversely affect the settlement of the securities.
- **Credit ratings risk** – Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.
- **Interest rate risks** – Investment in the fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- **Credit downgrading risk** – The credit rating of fixed income securities or their issuers may be subsequently downgraded. In the event of such downgrading, the value of the fund or Underlying Schemes may be adversely affected. Such securities may not be disposed immediately and the fund and/or Underlying Schemes may therefore be subject to additional risk of loss.
- **Liquidity and volatility risk** – Securities not listed or rated or actively traded may have low liquidity and higher volatility, and their prices may be subject to fluctuations. The bid and offer spread of their price may be high and the fund or Underlying Schemes may therefore incur significant trading costs and may even suffer losses when selling such instruments.
- **Valuation risk** – Valuation of the fund's or Underlying Scheme's investment may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the net asset value calculation of the fund and/or the Underlying Scheme.
- **Sovereign debt risk** – The fund's or an Underlying Scheme's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the fund or the Underlying Scheme to participate in restructuring such debts. The fund may suffer significant losses when there is a default of sovereign debt issuers.

4. Currency risk

The investments (including the Underlying Schemes and their investments) acquired by the fund may be denominated in currencies other than the base currency of the fund. The net asset value of the fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

5. Risks of investing in other collective investment schemes / funds

The fund may invest in other funds and will be subject to the risks associated with the Underlying Schemes. The fund does not have control of the investments of the Underlying Schemes and there is no assurance that the investment objective and strategy of the Underlying Schemes will be successfully achieved which may have a negative impact to the net asset value of the fund.

The Underlying Schemes in which the fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into the Underlying Schemes. There is also no guarantee that the Underlying Schemes will always have sufficient liquidity to meet the fund's redemption requests as and when made.

6. Emerging and less developed markets

Investment in emerging and less developed markets may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

7. Financial derivative instruments ("FDI")

The fund and some of the Underlying Schemes may have exposure in FDI. Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI. Exposure to FDI may lead to a high risk of significant loss.

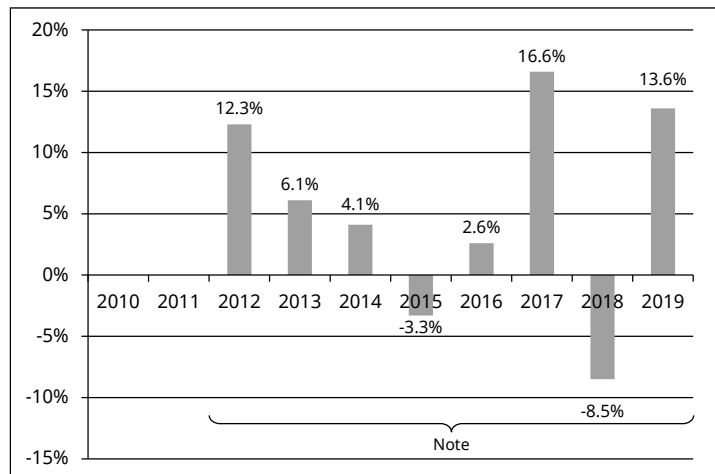
8. Risk relating to small- and mid-capped companies

The fund and some of the Underlying Schemes may invest in the securities of small- and/or mid-capped companies. Investing in these securities may expose the fund or the Underlying Schemes to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle.

9. Risk relating to exchange traded funds

The fund or an Underlying Scheme may invest in exchange traded funds ("**ETFs**"). ETFs generally are passively managed and may not be able to adapt to market changes. ETFs may be subject to tracking error risk, which is the risk that its performance may not track that of the index exactly. The trading price of units of ETFs is driven by market factors such as demand and supply of the units, and units may trade at a substantial premium or discount to net asset value. Where the fund or an Underlying Scheme invests in synthetic ETFs, such investments are susceptible to more significant price fluctuations and higher volatility, and are exposed to risk of fall in collateral value and risk of default of counterparties.

How has the fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the fund's Class A USD Accumulation increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 1995
- Class A USD Accumulation launch date: 2011
- The manager views the Class A USD Accumulation, being the main unit class offered to investors, as the most appropriate representative unit class of the fund.

Note: The performance of these years was achieved under circumstances that no longer apply. During these years, there was material change(s) to the fund, namely, reduction of fee(s) and changes of investment policy.

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 units of the fund.

Fee	What you pay	
Unit class	A	C
Subscription fee (Initial charge)	Up to 5% of the gross investment amount	
Switching fee	Up to 5% of the switching amount	
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 net asset value)	
Unit class	A	C
Management fee*	1.0%	0.625%
Trustee fee**	0.04%	
Performance fee	Not applicable	
Administration fee (Service Provider's costs)	0.02% to 0.1%	

* The fee may be increased, subject to a maximum of 1.5% p.a., by 3 months' notice to unitholders.

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Other fees

You may have to pay other fees when dealing in the units of the fund. Please refer to "Expenses" section of the offering document.

Additional information

- You generally buy and redeem units 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).
- Past performance information of other unit classes offered to Hong Kong investors is available online at www.schroders.com.hk. This website has not been reviewed by the SFC.
- The net asset value of this fund is calculated and the price of units is published on each dealing day. They are available online at www.schroders.com.hk. This website has not been reviewed by the SFC.

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.