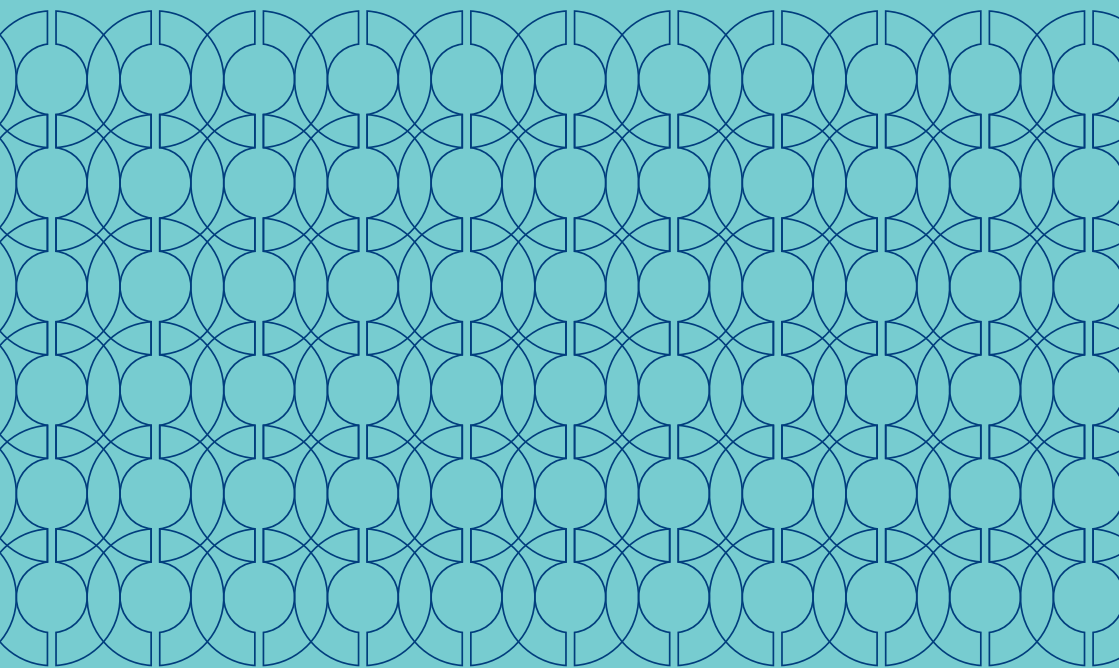


Schroders

Schroder Alternative  
Solutions

Hong Kong Covering Document  
November 2018 Edition  
Prospectus June 2018 Edition  
(Version 2)



Schroder Investment Management (Hong Kong) Limited  
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**IMPORTANT:** This letter is important and requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice. Schroder Investment Management (Europe) S.A., as the Management Company to Schroder Alternative Solutions, 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 its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Capitalised terms in this document have the same meaning as in the Prospectus of the Schroder Alternative Solutions unless otherwise specified.

30 September 2019

Dear Shareholder,

**Withdrawal of SFC authorisation of Schroder Alternative Solutions (the “Company”) and its sub-funds:**

- **Schroder Alternative Solutions Agriculture Fund**
  - **Schroder Alternative Solutions Commodity Fund**
- (individually, the “Sub-Fund”; collectively, the “Sub-Funds”)

The board of directors (the “**Board**”) of the Company wishes to notify you of their decision to apply to the Securities and Futures Commission (the “**SFC**”) for the withdrawal of authorisation of the Company and the Sub-Funds with effect from 31 December 2019 (the “**Effective Date**”).

## **1. Background and rationale for the withdrawal of authorisation**

After considerable analysis and review, the Board has concluded that there is little prospect of selling the Sub-Funds in the current Hong Kong retail investment market in the foreseeable future. Also, the amount of retail-investor assets in the Sub-Funds from Hong Kong is too small to justify the costs of maintaining the SFC authorisation of the Company and the Sub-Funds.

The Board has therefore applied to the SFC for the withdrawal of authorisation of the Company and the Sub-Funds and the Hong Kong offering documents, comprising of the Prospectus and Hong Kong Covering Document of the Company and the Sub-Funds and the Product Key Facts Statements of the Sub-Funds (collectively, the “**Hong Kong Offering Documents**”) in Hong Kong.

As of 24 September 2019, the size of each of the Sub-Funds in USD was as follow:

<b>Name of Sub-Funds</b>	<b>Size of the Sub-Funds</b>
Schroder Alternative Solutions Agriculture Fund	USD 33.35 million
Schroder Alternative Solutions Commodity Fund	USD 363.32 million

**2. Impact of the withdrawal of authorisation on Shareholders of the Sub-Funds**

From the date of this notice, the Sub-Funds are no longer allowed to be marketed to the public in Hong Kong.

With effect from the Effective Date, the Company and the Sub-Funds will no longer be regulated by the SFC and will not be available for public distribution in Hong Kong.

As the Company and the Sub-Funds will cease to be authorised by the SFC in Hong Kong, existing Shareholders should note that the Hong Kong Offering Documents and other product documentation in relation to the Company and the Sub-Funds (such as fact sheets and marketing materials) previously issued to them should be retained for personal use only and should not be circulated to the public in Hong Kong from the date of this notice.

The withdrawal of authorisation of the Sub-Funds will not affect the way the Sub-Funds are managed and there will be no change to the operation or the key features of the Sub-Funds (e.g. investment objective, investment policy, fees or dealing and administrative procedures) following the withdrawal of authorisation of the Sub-Funds. The Management Company shall continue to manage the Company and the Sub-Funds in accordance with the Company's Articles of Incorporation. The Company and the Sub-Funds will continue to be subject to the supervision by the Commission de Surveillance du Secteur Financier (i.e. the Luxembourg regulator).

**3. Costs of the withdrawal of authorisation**

The costs associated with the withdrawal of authorisation of the Company and the Sub-Funds will be borne by the Management Company, i.e. Schroder Investment Management (Europe) S.A..

**4. Options available for Shareholders**

**(a) Take no action**

You may remain invested in the Sub-Funds if you wish although the Sub-Funds will no longer be authorised by the SFC from the Effective Date onwards.

**(b) Redeem your holding**

From the date of this notice, you may at any time up to and including the dealing cut-off time on 30 December 2019, redeem your holding in the Sub-Funds free of charge by following the redemption procedures set out in the Hong Kong Offering Documents. Before placing your redemption request, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).

**(c) Switch your holding**

From the date of this notice, you may at any time up to and including the dealing cut-off time on 30 December 2019, switch your holding in the Sub-Funds to other SFC-authorised funds offered by Schroders free of charge. Please note that SFC authorization is not a recommendation or endorsement of the relevant SFC-authorised funds nor does it guarantee the commercial merits of the relevant SFC-authorised funds or their performance. It does not mean that the relevant SFC-authorised funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

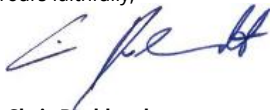
#### **5. Hong Kong Taxation**

Shareholders should note that under current law and practice in Hong Kong, the Company and the Sub-Funds are not expected to be subject to Hong Kong profits tax in accordance with the applicable provisions of the Inland Revenue Ordinance. No profits tax will be payable by Shareholders in Hong Kong in respect of dividends or other income distributions of the Company or the Sub-Funds or in respect of any gains arising on a sale, redemption or other disposal of Shares if the investments in the Company or the Sub-Funds are held as capital assets. Hong Kong profits tax may arise if the investments in the Company or the Sub Funds are held as trading assets and where such transactions form part of a trade, profession or business carried on in Hong Kong by the Shareholders. Shareholders should consult their own professional advisers on the potential taxation consequences of their transferring, selling, redemption or otherwise disposing of the Shares in the Sub-Funds.

#### **6. Enquiries**

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

Yours faithfully,



**Chris Burkhardt**  
Authorised Signatory



**Nirosha Jayawardana**  
Authorised Signatory

**IMPORTANT: This letter is important and requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice. Schroder Investment Management (Europe) S.A., as the Management Company of the fund(s) in which you are invested, 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 its knowledge and belief there are no other facts the omission of which would make any statement misleading.**

**17 June 2019**

Dear Shareholder,

### **Important changes to our fund administration activities**

We recently carried out a comprehensive review of fund administration across the Schroders group, specifically in relation to the management of transfer agency ("TA") activities. This resulted in a decision to delegate our fund administration activities to HSBC. HSBC has been a strategic partner of Schroders for several years, providing a range of other fund services. This decision will extend our partnership with HSBC across our fund administration services globally. The aim is to increase consistency in how we manage our services, which will ultimately add further value to our clients.

The delegation of TA activities by Schroder Investment Management (Europe) S.A. ("SIM EU"), the management company of the fund(s) in which you are invested, to HSBC France, Luxembourg Branch, will take effect from 1 July 2019.

The delegation of TA activities does not affect the investment management of the funds, 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 shareholder 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,



**Nirosha Jayawardana**  
Authorised Signatory



**Chris Burkhardt**  
Authorised Signatory

## HONG KONG COVERING DOCUMENT SCHRODER ALTERNATIVE SOLUTIONS

**IMPORTANT:** This document must be read in conjunction with the Prospectus of Schroder Alternative Solutions dated June 2018 (the “Prospectus”) and the Product Key Facts Statements of the Funds (as defined below). Investors should refer to the Prospectus for full information and terms defined therein have the same meaning in this document. Investors should carefully consider the risks involved before making their choice of investment. Investors should make their own risk assessment.

**WARNING:** In relation to the sub-funds as set out in the Prospectus, only the Company and the following sub-funds (each a “Fund” and collectively the “Funds”) are authorized by the Securities & Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104 of the Securities and Futures Ordinance (“SFO”) and hence may be offered to the public of Hong Kong. The SFC authorization is not a recommendation or endorsement of the Funds nor does it guarantee the commercial merits of the Funds or their respective performance. It does not mean the Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

Schroder Alternative Solutions Commodity Fund  
Schroder Alternative Solutions Agriculture Fund

The statement in the Prospectus, under the heading “Reliance on Prospectus”, that the Funds are only offered or sold to professional investors is not applicable in respect of any offering or sale to investors in Hong Kong.

Due to the special features of the Funds, each of the Funds was authorized under Chapter 8.4A of the SFC’s Code on Unit Trusts and Mutual Funds (“SFC Code”) as a “Futures and Options Fund”. Pursuant to the SFC Code requirements, the Funds will invest principally in commodity futures and/or in options and will not invest in commodity contracts other than commodity futures contracts (see further under Appendix III of the Prospectus), subject to any applicable restrictions and limitations set out in the “Investment Restrictions” section of this document and the Prospectus (see further under Appendices I and III of the Prospectus).

Please note that the Prospectus is a global offering document and therefore also contains information of the following sub-funds which are not authorized by the SFC:

Schroder Alternative Solutions Argentine Bond Fund  
Schroder Alternative Solutions Asian Long Term Value Fund  
Schroder Alternative Solutions Commodity Total Return Fund  
Schroder Alternative Solutions UK Dynamic Absolute Return Fund

No offer shall be made to the public of Hong Kong in respect of the above unauthorized sub-fund. The issue of the Prospectus was authorized by the SFC only in relation to the offer of the above SFC-authorized sub-funds to the public of Hong Kong. Intermediaries should take note of this restriction.

This document has been prepared for the intention of Investors in Hong Kong and with a view to comply with the requirements of the SFC.

Investors should note that investment in the Funds involved risks. The instruments in which the Funds invest carry substantial risks, including risk of loss of a significant portion of their principal value. The performance of a commodity investment may perform to a greater or lesser degree than the underlying commodity spot price depending on market conditions. As such, these instruments are subject to special risks that relate to the movements of prices in the commodity markets. Investment in the Funds is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. None of the Management Company or any service providers to the Company or any of their respective subsidiaries, affiliates, associates, agents or delegates guarantees the performance or any future return of the Funds. Please read the section headed “Risks of Investment” in the Prospectus for more details on the risk factors applicable to the Company and the Funds.

There is no assurance that the investment objective of the Funds will be achieved. Past performance is not necessarily a guide to future performance and units should be regarded as a medium to long-term investment. Investment in the Funds should not be the sole or principal component of any investment portfolio.

The price of Shares of the Company and the income from them may go down as well as up and an Investor may not get back the amount invested.

If you are in doubt about the contents of the Prospectus or this document, please seek independent professional financial advice.

### Management Company

As of 27 June 2018, the name of the Management Company has changed from Schroder Investment Management (Luxembourg) S.A. to Schroder Investment Management (Europe) S.A.

## **Hong Kong Representative**

The Hong Kong Representative of the Company in respect of the Funds is Schroder Investment Management (Hong Kong) Limited, Level 33, Two Pacific Place, 88 Queensway, Hong Kong (the "Representative").

## **Types of Share Class available in Hong Kong**

Generally, only 'A' Shares and 'D' Shares are available for sale to the public in Hong Kong. However, RMB Hedged Share Class of 'A' Shares and 'D' Shares are not available for sale to the public in Hong Kong. 'D' Shares will only be available to Investors who at the time the relevant subscription order is received are customers of certain Distributors appointed specifically for the purpose of distributing the 'D' Shares and only in respect of those Funds for which distribution arrangements have been made with such Distributors. The Representative will provide a full list of shares classes with currency denomination that are available for sale to the public in Hong Kong, upon request of an Investor.

Registered Shares are evidenced by entries in the Company's register and are represented by a contract note. Shareholders should, therefore, be aware of the importance of ensuring that the Management Company is informed of any change to the registered details.

While it is disclosed in the Prospectus that the minimum initial subscription amount may be waived at the board of directors' discretion from time to time, for so long as the Company and the Funds are authorized by the SFC the minimum level of initial subscription by each investor in Hong Kong in the Fund must not be less than US\$10,000 or the currency equivalent.

## **Procedure for applications by Hong Kong Investors**

Applications may be made to the Representative on a Hong Kong business day, a day on which banks in Hong Kong are normally open for business, excluding Saturday. Application forms may be sent through an Investor's investment adviser or other Distributor, or may be sent directly to the Representative. The Representative will forward applications to the Management Company promptly. Applications to the Representative should be made on and in accordance with the instructions on the application form available from the Representative.

Applications sent to the Representative must be received by it no later than 5:00 p.m. (Hong Kong time) on a Hong Kong business day if they are to be forwarded to the Management Company in Luxembourg on that day. Applications received after 5:00 p.m. (Hong Kong time) will be forwarded to the Management Company on the next Hong Kong business day. Investors should note that while they may submit applications by fax, the original application form should still be signed and posted as this will be required. Investors are reminded that if they choose to send the application by fax, they bear their own risk of application not being received by the Representative. Investors should, therefore, for their own benefit confirm with the relevant person the receipt of the application.

For applications that are sent through an investment adviser or other Distributor, Investors should note that such investment adviser or Distributor may have an earlier cut-off time.

## **No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.**

Applications can only be accepted by the Management Company and the issuance of Shares will be based on the relevant Net Asset Value per Share when the order is received by the Management Company.

Contract notes, confirmation of ownership documents, cheques, and other documents sent by post will be at risk of the person(s) entitled thereto and will be sent to the address of the applicant (or that of the first-named applicant) as set out in the application.

Payments to and from the Shareholder should normally be made in the currency of the relevant Share Class. However, if the Shareholder selects a currency other than the currency of the relevant Share Class for any payments to or from the Company, this will be deemed to be a request by the Shareholder to the Management Company acting on behalf of the Company to provide a foreign exchange service to the Shareholder in respect of such payment. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Representative. The cost of currency conversion and other related expenses will be borne by the relevant Investor. Neither the Company nor the Management Company nor the Representative takes any responsibility for the rate of exchange obtained. Changes in the rate of exchange between the currency of denomination and the currency of an applicant's subscription monies may cause the value of an Investor's investment to diminish or increase.

Monies can be paid either by telegraphic transfer to the relevant accounts as set out in the application form or may be paid by cheque in accordance with instructions on the application form. It should be noted that there may be delay in the receipt of cleared funds if payment is by cheque or banker's draft compared to payment by telegraphic transfer. The applicant should quote the full name of the Fund(s) in the remittance instruction. An applicant may be required to compensate the Company for any loss resulting from late settlement.



## **Redemption and Switching of Shares**

Shareholders may submit redemption or switching requests to the Representative. Redemption and switching requests sent to the Representative must be received by it no later than 5:00 p.m. (Hong Kong time) on a Hong Kong business day if they are to be forwarded to the Management Company in Luxembourg on that day. Redemption and switching requests received after 5:00 p.m. (Hong Kong time) will be forwarded to the Management Company on the next Hong Kong business day.

A redemption or switching request by a registered Shareholder wishing to have all or any of his Shares redeemed or switched should be in writing or by fax sent to the Representative or direct to the Management Company. Applications should indicate the relevant Fund(s) and number of Shares to be redeemed or switched and should state the name in which they are registered. Investors are reminded that if they choose to send notices of redemption or switch by fax, they bear their own risk of notices not being received by the Representative. Investors should, therefore, for their own benefit confirm with the relevant person the receipt of the notices.

For redemption or switching requests that are sent through an investment adviser or other Distributor, Shareholders should note that such investment adviser or Distributor may have an earlier cut-off time.

Confirmations of transactions will normally be dispatched by the Representative on the next Business Day after Shares are switched or redeemed. Shareholders should promptly check these confirmations to ensure that they are correct in every detail. Delay in providing the relevant documents may cause the instruction to be delayed or lapse and be cancelled.

Redemption proceeds will normally be paid in the currency of the relevant Share Class. However, at the request of the Shareholder, a currency exchange service for redemptions is provided to the Shareholder by the Management Company acting on behalf of the Company. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Representative. The cost of currency conversion and other related expenses will be borne by the relevant Investor. Changes in rates of exchange between the currency in which the relevant Fund(s) are denominated and the currency of a Shareholder's redemption request may cause the value of a Shareholder's investment to diminish or increase. Payment will normally be made by bank transfer or telegraphic transfer, less expenses, to an account specified by the Shareholder within 3 Business Days from the relevant Dealing Day or, if later, the receipt in Luxembourg of all properly completed documents from the investor. In any event, payment will be made within 30 days thereof.

**TRANSFERS** The transfer of Shares may be effected by delivery to the Representative of a duly signed transfer form in appropriate form.

## **Fees, Charges and Expenses**

Shareholders of the Funds will be given one month's prior notice should there be any increase in the investment management fee.

In certain countries, investors may be charged with additional amounts in connection with the duties and services of local paying agents, correspondent banks or similar entities.

For currency hedged Share Classes of the Funds, a hedging charge of up to 0.03% per annum of the Net Asset Value per Share will be borne by the currency hedged Share Classes in relation to which the charge is incurred. The hedging charge will be payable to the Management Company, which provides the currency hedging service.

Among other charges and expenses as described in more details under the section headed "Other Charges and Expenses" in the Prospectus, a Fund shall bear all costs of trading transactions incurred in the operation of the Company attributable to it. Brokerage will be charged by brokers and will vary per transaction depending on the nature of the transaction and country in which the assets are traded. The derivatives brokerage charges for the Funds are estimated to be approximately 0.04% of the average Net Asset Value of the Fund for the financial period ended 30 September 2010. It is expected that under normal market condition such percentage will not vary significantly.

Any advertising or promotional activities in connection with the Funds will not be paid from the Funds' property as long as the Funds are authorised in Hong Kong.

Neither the Investment Managers nor its associates will receive cash rebates from any broker in respect of transactions for account of the Funds.

The costs of establishment and authorization of the Company and the Funds in Hong Kong have been fully amortized.

The Fund may enter into any transactions with the Management Company, the Investment Manager or the Depository or with any of their affiliates, provided that, as long as the Funds are authorized in Hong Kong, such transactions are carried out as if effected on normal commercial terms negotiated at arm's length and in compliance with Chapters 10.9 to 10.13 of the Code on Unit Trusts and Mutual Funds issued by the SFC.

The liability of the Shareholders is limited to their investment in the Fund(s).

## **Performance fee**

The performance fee model is based on the period to date performance of a Fund and the average number of shares in issue. Under this approach subscriptions and redemptions including large transactions are smoothed which may give rise to a different result than if the performance fee model was tailored to the performance experience of each individual shareholder over their period of investment. The average number of Shares in issue, as described in the 4th paragraph under the sub-section headed "(C) Performance Fees – On absolute returns with a High Water Mark", is used to smooth the effect of large changes in the number of Shares over the accounting year. In some extreme circumstances the use of average number of Shares in issue can have an effect on the performance fee payable by a Fund. For example, if at the end of a performance period there is a sudden large increase in the number of Shares, this increase in average number of Shares may cause a higher or lower performance fee to be paid than would be the case if there was no change in the number of Shares over the period. This is because the extra Shares will have increased the average number of Shares over the period and hence the performance fee payable by the Fund, and vice versa.

At the end of each accounting year, should there be positive accounting provision, as described in the 5th paragraph under the same sub-section, made over the performance period, such accrued performance fee will be payable to the Investment Manager.

Performance fees are accrued on each valuation day provided that the Net Asset Value is higher than the High Water Mark. If the Net Asset Value per Share at redemption is below the High Water Mark, notwithstanding that Investors subscribed the Shares at a price lower than the Net Asset Value per Share at redemption, they will not bear a performance fee at the time of redemption.

If the Net Asset Value per Share at redemption is higher than the High Water Mark, notwithstanding that the Investors subscribed the Shares at a price higher than the Net Asset Value per Share at redemption, the Fund will still be accruing a performance fee as reflected in the price at which the Shares are redeemed.

## **Investment Restrictions**

In addition to the investment restrictions set out in the Prospectus, as long as the Funds are authorised by the SFC, each of the Funds:

- (a) may only enter into futures and options contracts dealt with on a futures, commodities or options exchange or any over-the-counter derivative approved by the Depository;
- (b) must maintain not less than 30% of the Net Asset Value of the Fund on deposit and/or in liquid short term debt instruments. Such deposit and/or liquid short term instruments may not be used for margin requirements; and
- (c) may not hold open contract positions in any futures contract month or option series for which the combined margin requirement represents 5% or more of the net asset value of the Fund.

## **Pooling and Co-management**

Notwithstanding that the Funds may participate in pooling and co-management as described in more detail in the Prospectus, there is no current intention to do so for the account of the Funds. As long as the Funds are authorized in Hong Kong, each of the Funds may, subject to the SFC's approval, participate in pooling or co-management by giving prior written notification to the relevant Shareholders and updating this document.

## **Risks of Investment**

In addition to the text as provided in Appendix II to the Prospectus, further information is given below:

### **Risk of termination of the Funds**

In the event of the early termination of the Fund, the Fund would have to distribute to the Shareholders their pro-rata interest in the assets of the Fund. It is possible that at the time of such sale or distribution, certain investments held by the Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Shareholder. Moreover, any organizational expenses with regard to the units that had not yet become fully amortized would be debited against the Fund's capital at that time.

### **Net Asset Value Considerations**

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Company's investments. A Shareholder may not fully recover his initial investment when he chooses to redeem his Shares or upon compulsory redemption if the Net Asset Value per Share at the time of such redemption is less than the subscription price paid by such Shareholder. It should be remembered that the value of the Shares and the income (if any) derived from them can go down as well as up.

### **Currency Exposure**

The Shares may be denominated in currencies different from the base currency of the Funds and the Shares will be issued and redeemed in those currencies. Certain of the assets of the Funds may also be invested in securities and other investments which are denominated in other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates and by changes in exchange rate controls. The Funds will be subject to foreign exchange risks. The Funds may engage in currency hedging but there can be no guarantee that such a strategy will prevent losses. In addition, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between the US Dollar and such other currencies.

### **Profit Sharing**

In addition to receiving a management fee, the Investment Managers may also receive a performance fee based on the appreciation in the Net Asset Value per Share and accordingly the performance fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a performance fee may be paid on unrealised gains which may subsequently never be realised.

### **Transaction Costs**

The investment approach for a particular Fund may involve a high level of trading and turnover of investments which may generate substantial transaction costs which will be borne by the relevant Fund.

### **Tax Considerations**

Where the Company invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Company will not be able to recover such withheld tax and so any such change would have an adverse effect on the Net Asset Value of the Shares. Where the Company sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the Company.

### **US Tax-Exempt Investors**

Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in the Company or their engaging indirectly through the Company in investment strategies of the types which the Company may utilise from time to time. While the Company believes that the Company's investment programme is generally appropriate for US tax-exempt investors for which an investment in the Company would otherwise be suitable, each type of such investor may be subject to different laws, rules and regulations and must consult with their own advisors as to the advisability and tax consequences of an investment in the Company. Investment in the Company by entities subject to ERISA and other tax-exempt investors requires special consideration. Trustees or administrators of such investors are urged carefully to review the matters discussed in the Prospectus.

### **Concentrated sector**

Funds investing in concentrated sector may be subject to a higher level of risks comparing to a Fund investing in a more diversified portfolio/strategy.

### **Potential Conflicts of Interest**

In addition, the Investment Manager, Schroders, the Depository and other service providers of Company may from time to time act as trustee, administrator, registrar, manager, depository, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Company. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Company.

If such conflicts arise, each of them will use reasonable endeavours to resolve such conflicts fairly (having regard to its respective obligations and duties) and acts in the best interests of the Shareholders. In any event, the Investment Manager shall act in a manner which it believes to be equitable in its allocation of investment opportunities among other funds, other investment vehicles it manages or advises and the accounts of its other clients and ensure that all investment opportunities will be fairly allocated. The Investment Manager will also have regard to its obligations to act in the best interests of the shareholders when undertaking any investments where potential conflicts of interests may arise.

### **Performance fee risk**

Performance fee may encourage the Investment Manager of the Funds to make riskier investments than would be the case in the absence of a performance-based incentive system.

Performance fee of the Fund is calculated with reference to the outperformance per Share (as described in the "Performance fee" section of this document and the Prospectus). Given there is no equalisation arrangement for the calculation of the performance fee, in the event of outperformance, Investors are subject to a performance fee regardless a loss in investment capital has been suffered by the Investors.

In addition, performance fees may be paid on unrealised gains which may never be realised by the Funds.

### **Publication of Prices**

The Net Asset Value per Share of the Funds is published daily on the Schroders' Internet site ([www.schroders.com.hk](http://www.schroders.com.hk)).

### **Accounts**

The audited annual reports and unaudited half-yearly reports in English will be made available within four months of the end of each financial year and two months of the end of half year end respectively.

Shareholders will be notified when such accounts (accompanied by the required reports), in printed and electronic forms are available and where such accounts may be obtained. Copies of annual, semi-annual and financial reports may be obtained free of charge at the registered office of the Hong Kong Representative and from the Schroders' Internet site ([www.schroders.com.hk](http://www.schroders.com.hk)). Copies of the reports may be posted to investors on request.

### **Hong Kong Taxation**

The Company will not be expected to be subject to any Hong Kong profits tax attributable to the Funds arising from the carrying on of its activities as described in the Prospectus and this document.

Shareholder whether or not resident in Hong Kong will not be liable for Hong Kong tax in respect of any income or gains made on the issue, redemption, switch or other disposal in Hong Kong of the Shares in the Funds, save that persons carrying on in Hong Kong a business of trading in securities may be subject to Hong Kong profits tax if those gains form part of such business.

***The foregoing is based on the Directors' understanding of the law and practice currently in force as at the date of this document and applies to investors acquiring Shares in the Company as an investment. Investors should, however, consult their financial or other professional advisers on the possible tax or other consequences if buying, holding, transferring, switching, redeeming or otherwise dealing the Company's Shares under the laws of their countries of citizenship, residence and domicile.***

### **Automatic Exchange of Financial Account Information**

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI requires financial institutions ("**FI**") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs, and to file such information with the Hong Kong Inland Revenue Department ("**IRD**") who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("**CAA**"); however, FIs may further collect information relating to residents of other jurisdictions.

By investing in the Funds and/or continuing to invest in the Funds through FIs in Hong Kong, investors acknowledge that they may be required to provide additional information to the relevant FI in order for the relevant FI to comply with AEOI. The investor's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions.

Each Shareholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Funds through FIs in Hong Kong.

### **Material Contracts and documents available for inspection**

The documents listed for inspection in the Prospectus together with copies of the Hong Kong Representative Agreement and the Investment Management Agreement are made available for inspection at the office of the Representative during its normal business hours or may be purchased at a reasonable charge as determined by the Representative.

The Directors have taken all reasonable care to ensure that the information contained in the Prospectus and this document is, to the best of their knowledge and belief, in accordance with facts and does not omit anything material to such information. The Directors accept responsibility accordingly.

The website (<http://www.schroders.lu>) as mentioned in the Prospectus and the website ([www.schroders.com.hk](http://www.schroders.com.hk)) as mentioned in this document have not been reviewed by the SFC. The website (<http://www.schroders.lu>) contains information in relation to funds that are not authorized by the SFC and are not offered to the public of Hong Kong.

### **Enquiries and Complaints**

Enquiries and complaints concerning the Company and the Funds (including information concerning subscription and redemption procedures and the current net asset value of the Funds) should be directed to the Hong Kong Representative at Level 33, Two Pacific Place, 88 Queensway, Hong Kong or by electronic mail at [schroders@schroders.com.hk](mailto:schroders@schroders.com.hk) or by phone at +852 2869 6968.

This document is dated November 2018.

Schroder Alternative Solutions  
(a Luxembourg domiciled open-ended investment company)

# Prospectus

June 2018



# Important Information

## Reliance on Prospectus

The Shares are offered solely on the basis of the information and representations contained in this prospectus (the "Prospectus") and any further information given or representations made by any person may not be relied upon as having been authorised by the Company, the Directors or the Management Company. Neither the delivery of this Prospectus nor the issue of Shares shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof.

The information contained in this Prospectus will be supplemented by the financial statements and further information contained in the latest annual and semi-annual reports of the Company, copies of which may be obtained free of charge from the registered office of the Company and at the offices of J.P. Morgan Bank Luxembourg S.A. in Luxembourg.

The Shares are not marketed to retail investors in Luxembourg.

The Funds are only offered or sold to professional investors and as a consequence, no PRIIPs KIDs with the meaning of Regulation No. 1286/2014 the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products will be issued.

## Registration in Luxembourg

The Company is registered under Part II of the list of UCI provided by the 2010 Law and qualifies as an alternative investment fund within the meaning of article 1(39) of the 2013 Law. However, such registration does not require any Luxembourg authority to approve or disapprove either the adequacy or accuracy of this Prospectus or the investments held by the Company. Any representation to the contrary is unauthorised and unlawful.

## Disclosure of Information

For the purposes of the General Data Protection Regulation 2016/679 ("GDPR"), the data controllers in relation to any personal data you supply are the Company and the Management Company.

In order to comply with the obligations and responsibilities under the GDPR, the Company and the Management Company are required by law to make available to you a privacy policy which details how Schroders collect, use, disclose, transfer, and store your information. Please find a copy of the privacy policy at [www.schroders.com/en/privacy-policy](http://www.schroders.com/en/privacy-policy). You hereby acknowledge that you have read and understood the contents of the privacy policy.

## Restrictions on Distribution

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this Prospectus may come are required by the Company to inform themselves of and to observe any such restrictions.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

When marketing Shares in any territory of the European Economic Area (EEA) (other than Luxembourg) to professional investors that are domiciled or have a registered office in the EEA, the Management Company intends to utilise marketing passports made available under the provisions of the AIFMD. Shares in a Fund may only be marketed pursuant to such passports to professional investors (as defined in the 2013 Law) in those territories of the EEA in respect of which a passport has been obtained.

**United Kingdom:** The Company is not a recognised overseas collective investment scheme for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom (the "Act"). The promotion of the Company and the distribution of this Prospectus in the United Kingdom is accordingly restricted by law.

Whilst this Prospectus may also be issued outside the United Kingdom directly by the Company, and the Directors are responsible for its contents, wherever issued, it is being issued inside and outside the United Kingdom by Schroder Investment Management Limited (which is authorised and regulated by the Financial Conduct Authority ("FCA") to

and/or is directed at persons who are of a kind to whom the Company may lawfully be promoted by a person authorised to carry out certain financial services activities under the Act (an "authorised person") by virtue of Section 238(5) of the Act Chapter 4.12 of the FCA's Conduct of Business Sourcebook COBS.

This Prospectus is exempt from the restriction on the communication of invitations or inducements to participate in a collective investment scheme which is not a recognised overseas collective investment scheme (in Section 238 of the Act) on the grounds that the invitation or inducement (a) is made only to recipients who Schroder Investment Management Limited has taken reasonable steps to establish are persons of the kind referred above; or (b) is directed at recipients in a way that may reasonably be regarded as designed to reduce, so far as possible, the risk of participation in the Company by persons who are not of the kind referred above. To the extent that this Prospectus is issued by Schroder Investment Management Limited the Shares are only available to such persons and this Prospectus must not be relied on or acted upon by any other persons.

Any recipient of this Prospectus who is an authorised person may (if and to the extent it is permitted to do so by the FCA rules applicable to it) distribute it or otherwise promote the Company in accordance with Section 238 of the Act but not otherwise. Any recipient of this Prospectus who is not an authorised person may not distribute it to any other person.

The Company will not be authorised to carry on investment business in the United Kingdom. Accordingly, all or most of the protections afforded by the United Kingdom regulatory system to retail clients will not apply to an investment in the Company. In particular, compensation will not be available under the United Kingdom Financial Services Compensation Scheme in respect of the Company and investors will not be entitled to exercise cancellation or withdrawal rights under the rules of the FCA in respect of any subscription or purchase of Shares.

Past performance may not be repeated and you may not get back the full amount of your investment. If you are in any doubt about the suitability of investing in the Company you should contact a professional adviser. Schroder Investment Management Limited and/or any of its associated companies may have a position in or holding of Shares.

The levels and bases of taxation and any relevant reliefs from taxation referred to in this Prospectus can change, any reliefs referred to are the ones which currently apply and their value depends upon the circumstances of each individual investor.

**United States:** The Company has not been and will not be registered under the United States Investment Company Act of 1940 as amended (the "Investment Company Act"). The Shares of the Company have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") or under the securities laws of any state of the US and such Shares may be offered, sold or otherwise transferred only in compliance with the Securities Act and such state or other securities laws. The Shares of the Company may not be offered or sold to or for the account of any US Person. For these purposes, US Person shall mean any person defined as a US person under Regulation S of the Securities Act.

If you are in any doubt as to your status, you should consult your financial or other professional adviser.

**Canada:** The Shares of the Company will not be publicly offered in Canada. Any offering of Shares of the Company in Canada will be made only by way of private placement: (i) pursuant to a Canadian offering memorandum containing certain prescribed disclosure, (ii) on a basis which is exempt from the requirement that the Company prepare and file a prospectus with the relevant Canadian securities regulatory authorities and pursuant to applicable requirements in the relevant Canadian jurisdictions, and (iii) to persons or entities that are "accredited investors" (as such term is defined in National Instrument 45-106 Prospectus and Registration Exemptions) and, if required, "permitted clients" (as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations).

The Management Company is not registered in any capacity in any jurisdiction in Canada and may rely on one or more exemptions from various registration requirements in certain Canadian jurisdictions. In addition to being an "accredited investor", a Canadian-resident Investor may also be required to be a "permitted client". If a Canadian-resident Investor, or an Investor that has become a Canadian-resident after purchasing Shares of the



Company, is required to be a "permitted client" and does not qualify, or no longer qualifies, as a "permitted client", the Investor will not be able to purchase any additional Shares of the Company and may be required to redeem its outstanding Shares.

**Generally:** the above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to make an application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

#### **Risk Factors**

**Investment in the Company carries substantial risk. There can be no assurance that the Company's investment objective will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. Prospective investors should carefully consider whether an investment in Shares is suitable to them in light of their circumstances and financial resources (see further under "Risk of Investment").**

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# Definitions

<b>2013 Law</b>	the law of 12 July 2013 on alternative investment fund managers
<b>Accumulation Shares</b>	shares which accumulate their income so that the income is included in the price of the shares
<b>AIFMD</b>	Directive 2011/61/EU on alternative investment fund managers
<b>AIFM Regulation</b>	the European Commission Delegated Regulation 231/2013 of 19 December 2012
<b>AIFM Rules</b>	the AIFMD, the AIFM Regulation, the 2013 Law as well as any European or Luxembourg regulatory guidelines as may be issued in relation thereof
<b>Appendix</b>	an appendix to this Prospectus containing information with respect to the Company specifically and/or particular Funds
<b>Articles</b>	the articles of incorporation of the Company as amended from time to time
<b>Asia</b>	China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand and other economies in the Asian continent including but not limited to Bangladesh, Brunei, Cambodia, Pakistan, Mongolia, Myanmar, Nepal, Sri Lanka, Bhutan, East Timor, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Vietnam.
<b>Business Day</b>	unless otherwise provided in the Fund's details in Appendix III, a Business Day is a week day other than New Year's Day, Good Friday, Easter Monday, Christmas Eve, Christmas Day and the day following Christmas Day
<b>CAD</b>	Canadian Dollars
<b>CCP</b>	Central Clearing Counterparty
<b>CHF</b>	Swiss Franc
<b>China A-Shares</b>	equity securities of Chinese companies listed and traded in RMB on Chinese stock exchanges such as Shenzhen or Shanghai Stock Exchanges
<b>China B-Shares</b>	equity securities of Chinese companies listed and traded in HKD or USD on Chinese stock exchanges such as Shenzhen or Shanghai Stock Exchanges
<b>China H-Shares</b>	equity securities of Chinese companies listed and traded in Hong Kong Stock Exchange or other foreign exchanges
<b>Company</b>	Schroder Alternative Solutions
<b>CSSF</b>	Commission de Surveillance du Secteur Financier (Luxembourg Financial Sector Supervisory Authority)
<b>Depository</b>	J.P. Morgan Bank Luxembourg S.A. acting as depository and fund administrator
<b>Dealing Cut-off Time</b>	the time by which dealing instructions must be received by the Management Company in order to be executed on a Dealing Day as defined for each Fund in Appendix III
<b>Dealing Day</b>	unless otherwise provided in the Fund's details in Appendix III, a Dealing Day is a Business Day which does not fall within a period of suspension of calculation of the Net Asset Value per Share of the relevant Fund. The Management Company may also take into account whether relevant local stock exchanges and/or Regulated Markets are closed for trading and/or settlement, and may elect to treat such closures as non-Dealing Days for Funds which invest a substantial amount of their portfolio on these closed stock exchanges and/or Regulated Markets. A list of expected non-Dealing Days for the Funds is available from the Management Company on request and is also available on the Internet site <a href="http://www.schroders.lu">www.schroders.lu</a>
<b>Directors or Board of Directors</b>	the board of directors of the Company
<b>Distributor</b>	a person or entity duly appointed from time to time by the Management Company to distribute or arrange for the distribution of Shares

<b>Distribution Period</b>	the period from one date on which dividends are paid by the Company to the next. This may be annual or shorter where dividends are paid more regularly
<b>Distribution Shares</b>	shares which distribute their income
<b>Eligible State</b>	includes any member state of the European Union ("EU"), any member state of the Organisation for Economic Co-operation and Development ("OECD"), and any other state which the Directors deem appropriate
<b>EU</b>	European Union
<b>EUR</b>	the European currency unit (also referred to as the Euro)
<b>Fund</b>	a specific portfolio of assets and liabilities within the Company having its own net asset value and represented by a separate Share Class or Share Classes
<b>GBP</b>	Great British Pound
<b>HKD</b>	Hong Kong Dollar
<b>Investor</b>	a subscriber for Shares
<b>JPY</b>	Japanese Yen
<b>2010 Law</b>	the law on undertakings for collective investment dated 17 December 2010, as amended
<b>Management Company</b>	Schroder Investment Management (Luxembourg) S.A.
<b>Net Asset Value per Share</b>	the value per Share of any Share Class determined in accordance with the relevant provisions described under the heading "Calculation of Net Asset Value" as set out in Section 2.4
<b>OTC</b>	over-the-counter
<b>Regulated Market</b>	a market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments or another regulated market, which operates regularly and is recognised and open to the public in an Eligible State
<b>Regulations</b>	the 2010 Law and the 2013 Law as well as any present or future related Luxembourg laws or implementing regulations, circulars and CSSF's positions
<b>Reporting Fund</b>	a Fund or a Share Class that complies with UK HMRC tax regime for offshore funds and therefore has a certain tax status relevant for UK tax paying Shareholders
<b>RMB</b>	Renminbi, the official currency of the People's Republic of China
<b>Schroders</b>	the Management Company's ultimate holding company and its subsidiaries and affiliates worldwide
<b>SGD</b>	Singapore Dollars
<b>Share</b>	a share of no par value in any one class in the capital of the Company
<b>Share Class</b>	a class of Shares with a specific fee structure
<b>Shareholder</b>	a holder of Shares
<b>UCITS</b>	an "undertaking for collective investment in transferable securities" within the meaning of points a) and b) of Article 1(2) of the UCITS Directive
<b>UCI</b>	an "undertaking for collective investment" within the meaning of points a) and b) of Article 1(2) of the UCITS Directive

**UCITS Directive**

Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, as amended, on the coordination of laws, regulations and administrative provisions relating to UCITS

**UK**

United Kingdom

**UK Reporting Fund Status**

a tax status relevant for UK Shareholders

**United States**

the United States of America (including the States and the District of Columbia) and any of its territories, possessions and other areas subject to its jurisdictions

**USD or \$**

United States Dollar

**All references herein to time are to Luxembourg time unless otherwise indicated.**

**Words importing the singular shall, where the context permits, include the plural and vice versa.**

# Board of Directors

## Chairman

- **Richard MOUNTFORD**  
Head of Planning, Corporate Management  
Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
United Kingdom

## Other Directors

- **Eric BERTRAND**  
Head of Schroders GAIA  
Shackleton Residence  
Ta'Xbiex Seafront  
XBX 1027 Ta'Xbiex  
Malta
- **Mike CHAMPION**  
Head of Product Development  
Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
United Kingdom
- **Marie-Jeanne CHEVREMONT-LORENZINI**  
Independent Director  
12, rue de la Sapiniere  
8150 Bridel  
Grand Duchy of Luxembourg
- **Daniel DE FERNANDO GARCIA**  
Independent Director  
Serrano 1  
28001 Madrid  
Spain
- **Bernard HERMAN**  
Independent Director  
11-13 rue Jean Fischbach  
3372 Leudelange  
Grand Duchy of Luxembourg
- **Achim KUESSNER**  
Country Head Germany, Austria & CEE  
Schroder Investment Management GmbH  
Taunustor 1 (TaunusTurm)  
60310 Frankfurt am Main  
Germany
- **Neil WALTON**  
Head of Investment Solutions  
Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
United Kingdom

# Administration

## Registered Office

5, rue Höhenhof  
1736 Senningerberg  
Grand Duchy of Luxembourg

## Management Company and Domiciliary Agent

Schroder Investment Management (Luxembourg) S.A.  
5, rue Höhenhof  
1736 Senningerberg  
Grand Duchy of Luxembourg

## Investment Manager

BennBridge Ltd  
Windsor House  
Station Court, Station Road  
Great Shelford  
Cambridgeshire CB22 5NE  
United Kingdom

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
United Kingdom

Schroder Investment Management North America Inc.  
7 Bryant Park, New York  
New York 10018-3706  
United States of America

Schroder Investment Management (Hong Kong) Limited  
Level 33, Two Pacific Place  
88 Queensway  
Hong Kong

## Depositary

J.P. Morgan Bank Luxembourg S.A.  
European Bank & Business Centre  
6, route de Trèves  
2633 Senningerberg  
Grand Duchy of Luxembourg

## Independent Auditors

PricewaterhouseCoopers Société Coopérative  
2, rue Gerhard Mercator  
2182 Luxembourg  
Grand Duchy of Luxembourg

## Principal Legal Adviser

Elvinger Hoss Prussen, société anonyme  
2, place Winston Churchill  
1340 Luxembourg  
Grand Duchy of Luxembourg

Simmons & Simmons  
CityPoint  
One Ropemaker Street  
London EC2Y 9SS  
United Kingdom

# Section 1

## 1. The Company

### 1.1. Structure

The Company is an open-ended investment company organised as a "société anonyme" under the laws of the Grand Duchy of Luxembourg and qualifies as a Société d'Investissement à Capital Variable ("SICAV") and as an alternative investment fund within the meaning of article 1(39) of the 2013 Law. The Company operates separate Funds, each of which is represented by one or more Share Classes. The Funds are distinguished by their specific investment policy or any other specific features.

The Company constitutes a single legal entity, but the assets of each Fund shall be invested for the exclusive benefit of the Shareholders of the corresponding Fund and the assets of a specific Fund are solely accountable for the liabilities, commitments and obligations of that Fund.

The Directors may at any time resolve to set up new Funds and/or create within each Fund one or more Share Classes and this Prospectus will be updated accordingly. The Directors may also at any time resolve to close a Fund, or one or more Share Classes within a Fund to further subscriptions.

The Shares may be listed on the Luxembourg Stock Exchange. The Directors may decide to make an application to list such Shares on any other recognised stock exchange.

### 1.2. Investment Objectives and Policies

The exclusive objective of the Company is to place the funds available to it in assets of any kind with the purpose of affording its Shareholders the results of the management of its portfolios.

The specific investment objective and policy of each Fund is described in Appendix III.

Investors should, prior to any investment being made, take due account of the risks of investment set out in Appendix II and any specific risk set out in Appendix III.

### Changes To The Investment Objective and Policy

Any material change to the investment objective and/or the investment policy of a Fund decided by the Company shall be reflected into the Prospectus after receipt of relevant approval of at least such material change from the CSSF and shall be notified to the relevant Shareholders one month before this material change becomes effective, thus enabling the relevant Shareholders, prior to the effective date to redeeming their Shares free of applicable redemption charge (rather than accepting the material change) if they so elect. Any material change may enter into force at an earlier date if all shareholders waive their right to the one-month prior notice.

### 1.3. Share Classes

The Directors may decide to create within each Fund different Share Classes whose assets will be commonly invested pursuant to the specific investment policy of the relevant Fund, but where a specific fee structure, currency of denomination or other specific feature may apply to each Share Class. A separate Net Asset Value per Share, which may differ as a consequence of these variable factors, will be calculated for each Class.

Investors are informed that not all Distributors offer all classes of Shares.

Shares are generally issued as Accumulation Shares. Distribution Shares will only be issued within any Fund at the Directors' discretion. Investors may enquire at the Management Company or their Distributor whether any Distribution Shares are available within each Share Class and Fund.

### Initial Charge

The Management Company and Distributors are entitled to the initial charge, which can be partly or fully waived at the discretion of the Management Company or of the relevant Distributor. The initial charge attributed to each class of Share is specified in Appendix III.



**Minimum Subscription Amount, Minimum Additional Subscription Amount and Minimum Holding Amount**

The minimum subscription amount, minimum additional subscription amount and minimum holding amount for each Share Class are set out in Appendix III. The amounts are stated in the relevant currency although near equivalent amounts in any other freely convertible currency are acceptable. These minima may be waived at the Directors' discretion from time to time.

**Specific features of A Shares**

A Shares will be available to all Investors.

A Shares fees for each Fund are separately disclosed in the Fund details.

**Specific features of A1 Shares**

A1 Shares will only be available to Investors who at the time the relevant subscription order is received are customers of certain Distributors appointed specifically for the purpose of distributing the A1 Shares and only in respect of those Funds for which distribution arrangements have been made with such Distributors. A1 Shares fees for each Fund are separately disclosed in the Fund details.

**Specific features of C Shares**

C Shares are available to institutional clients such as pension funds, sovereign wealth funds and official institutions. C Shares are also available to mutual funds and such distributors which according to regulatory requirements, or based on individual fee arrangements with their clients, are not allowed to accept and keep trail commissions.

C Shares fees for each Fund are separately disclosed in the Fund details.

**Specific features of D Shares**

D Shares will only be available to Investors who at the time the relevant subscription order is received are customers of certain Distributors appointed specifically for the purpose of distributing the D Shares and only in respect of those Funds for which distribution arrangements have been made with such Distributors.

No initial charge will be payable by an Investor on the acquisition of D Shares of any Fund. However some charges for example redemption or administration charges may be deducted by the distributor from the redemption proceeds as agreed separately between the shareholders and the distributor. Shareholders should check with the respective Distributors for details of the arrangement.

Investors in D Shares will not be permitted to switch the holding of such Shares into other Share Classes, nor will they be permitted to transfer such Shares from one Distributor to another.

**Specific features of E Shares**

E Shares will only be available, to institutional investors such as pension funds, sovereign wealth funds and official institutions. E shares may also be available to mutual funds and such distributors which according to regulatory requirements, or based on individual fee arrangements with their clients, are not allowed to accept and keep trail commissions.

The E Shares will only be available until the total Net Asset Value of all available Share Classes within a Fund reaches or is greater than EUR 100,000,000 or USD 100,000,000 or an equivalent amount in another currency, or any other amount as specifically determined by the Management Company.

Once the total Net Asset Value of the Share Classes available in a Fund, ordinarily, reaches or is greater than EUR 100,000,000 or USD 100,000,000 or an equivalent amount in another currency or any other amount as specifically determined by the Management Company, the E Share Classes in that Fund will be closed to Investors for subscriptions. The Management Company may re-open the E Share Classes at its discretion without notice to Shareholders.

**Specific features of I Shares**

I Shares will only be offered to Investors:

- (A) who, at the time the relevant subscription order is received, are clients of Schroders with an agreement covering the charging structure relevant to the clients' investments in such Shares, and
- (B) who are institutional Investors, as may be defined from time to time by the guidelines or recommendations issued by the CSSF.

The Company will not issue, or effect any switching of, I Shares to any Investor who is not considered an institutional investor. The Directors may, at their discretion, delay the acceptance of any subscription for I Shares restricted to institutional investors until such date as the Management Company has received sufficient evidence on the qualification of the relevant Investor as an institutional investor. If it appears at any time that a holder of I Shares is not an institutional investor, the Directors will instruct the Management Company to propose that the said holder convert their Shares into a Share Class within the relevant Fund which is not restricted to institutional investors (provided that there exists such a Share Class with similar characteristics). In the event that the Shareholder refuses such switching, the Directors will, at their discretion, instruct the Management Company to redeem the relevant Shares in accordance with the provisions under "Redemption and Switching of Shares".

As I Shares are, inter alia, designed to accommodate an alternative charging structure whereby the Investor is a client of Schroders and is charged management fees directly by Schroders, no management fees will be payable in respect of I Shares out of the net assets of the relevant Fund. I Shares will bear their pro-rata share of the fees payable to the Depositary and the Management Company, as well as of other charges and expenses.

#### **Specific features of IZ Shares**

IZ Shares will only be available, with prior agreement of the Management Company, to institutional investors, such as pension funds, sovereign wealth funds, foundations, charities and official institutions.

The Company will not issue, or effect any switching of, IZ Shares to any Investor who may not be considered an institutional investor. The Directors may, at their discretion, delay the acceptance of any subscription for IZ Shares restricted to institutional investors until such date as the Management Company has received sufficient evidence on the qualification of the relevant Investor as an institutional investor. If it appears at any time that a holder of IZ Shares is not an institutional investor, the Directors will instruct the Management Company to propose that the said holder convert their Shares into a Share Class within the relevant Fund which is not restricted to institutional investors (provided that there exists such a Share Class with similar characteristics). In the event that the Shareholder refuses such switching, the Directors will, at their discretion, instruct the Management Company to redeem the relevant Shares in accordance with the provisions under "Redemption and Switching of Shares".

#### **Specific features of J Shares**

J Shares will only be offered to, and can only be acquired by Japanese Funds of Funds, which are institutional investors as may be defined from time to time by the guidelines or recommendations issued by the CSSF. "Japanese Fund of Funds" means an investment trust or investment corporation that is established under the Law Concerning Investment Trusts and Investment Corporations (Law No. 198 of 1951, as amended) of Japan (an "investment trust") the purpose of which is to invest its assets only in beneficial interests in other investment trusts or shares of investment corporations or collective investment schemes similar thereto established under the laws of any country other than Japan.

The Company will not issue any J Shares to any Investor who is not a Japanese Fund of Funds or permit any J Share to be switched to share(s) of any other Share Class of the Company. The Directors may, at their discretion, refuse to accept any application for subscription for J Shares until and unless the Management Company notifies the Directors that it is satisfied that the applicant for subscription is a Japanese Fund of Funds.

As J Shares are, inter alia, designed to accommodate an alternative charging structure for Japanese Fund of Funds, no management fees will be payable in respect of J Shares out of the net assets of the relevant Fund. J Shares will bear their pro-rata share of the fees payable to the Depositary and the Management Company, as well as of other charges and expenses.

### **Specific features of X Shares**

X Shares will only be offered to Investors who are institutional investors, as may be defined from time to time by the guidelines or recommendations issued by the CSSF.

The Company will not issue, or effect any switching of X Shares to any Investor who may not be considered an institutional investor. The Directors may, at their discretion, delay the acceptance of any subscription for X Shares restricted to institutional investors until such date as the Management Company has received sufficient evidence on the qualification of the relevant Investor as an institutional investor. If it appears at any time that a holder of X Shares is not an institutional investor, the Directors will instruct the Management Company to propose that the said holder convert their Shares into a Share Class within the relevant Fund which is not restricted to institutional investors (provided that there exists such a Share Class with similar characteristics). In the event that the Shareholder refuses such switching, the Directors will, at their discretion, instruct the Management Company to redeem the relevant Shares in accordance with the provisions under "Redemption and Switching of Shares".

### **Specific features of R Shares**

R Shares do not qualify as "Reporting Funds" for taxation purposes under the UK offshore fund rules (see Section 3.4). R Shares are only available at the Management Company's discretion to Investors who have been issued Shares pursuant to a merger or similar activity with another fund where the Investor's holding in such fund did not qualify as a Reporting Fund under the UK offshore fund rules. R Shares may only be issued by the Management Company in these circumstances as part of the merger or similar activity. Holders of R Shares are not permitted to top up their investment in R Shares and are not permitted to switch their R Shares into other Share Classes. R Shares are not available to Investors (new and existing) in any other circumstance than those described above.

There is no minimum subscription or holding amount.

The management fees for R Shares will be up to 1.00% per annum.

### **Specific features of S Shares**

S Shares are only available at the Management Company's discretion to certain clients of the Schroder Group's wealth management business. Before the Management Company can accept a subscription into S Shares, a legal agreement must be in place between the investor and the Schroder Group's wealth management business containing terms specific to investment in S Shares.

In the event that a Shareholder of Class S Shares ceases to be a client of the Schroder Group's wealth management business, the Shareholder will cease to be eligible to hold Class S Shares and the Management Company will compulsorily switch the Shareholder into the most appropriate Share Class of the same Fund. This means that the switch of Class S Shares will be automatic without the need for Shareholders to submit a switching request to the Management Company. Therefore, by subscribing for Class S Shares, Shareholders irrevocably permit the Management Company to switch S Shares on their behalf should they cease to be eligible to invest in Class S Shares.

There is no minimum initial subscription, additional subscription or holding amount. Applications for subscriptions into Class S Shares will be accepted at the Management Company's discretion.

The management fees for S Shares will be up to 1.50% per annum.

# Section 2

## 2. Share Dealing

**Each Investor will be given a personal account number which, along with any relevant transaction number, should be quoted on any payment by bank transfer. Any relevant transaction number and the personal account number should be used in all correspondence with the Management Company or any Distributor.**

**Different subscription procedures may apply if applications for Shares are made through Distributors.**

**All applications to subscribe for Shares shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Dealing Day.**

### 2.1. Subscription for Shares

#### How to subscribe

Investors subscribing for Shares for the first time should complete an application form and send it with applicable identification documents by post to the Management Company. Application forms may be accepted by facsimile transmission or other means approved by the Management Company, provided that the original is immediately forwarded by post. If completed application forms and cleared funds are received by the Management Company for any Dealing Day before the Dealing Cut-off Time as specified in Appendix III, the subscription instruction will be executed on the Dealing Day and Shares will normally be issued at the relevant Net Asset Value per Share, as defined under "Calculation of Net Asset Value", determined on the relevant Dealing Day (plus any applicable initial charge). For completed applications received after the Dealing Cut-off Time, the instruction will normally be executed on the next relevant Dealing Day and Shares will be issued at the Net Asset Value per Share calculated on that Dealing Day (plus any applicable initial charge).

However, the Directors may permit, if they deem it appropriate, different Dealing Cut-off Times to be determined in justified circumstances, such as distribution to Investors in jurisdictions with a different time zone. Such different Dealing Cut-off Times may either be specifically agreed upon with Distributors or may be published in any supplement to the Prospectus or other marketing document used in the jurisdiction concerned. In such circumstances, the applicable Dealing Cut-off Time applied to Shareholders must always precede the Dealing Cut-off Time referred to in Appendix III.

Subsequent subscriptions for Shares do not require completion of an additional application form. However, Investors shall provide written instructions as agreed with the Management Company to ensure smooth processing of subsequent subscriptions. Instructions may also be made by letter, facsimile transmission, in each case duly signed, or such other means approved by the Management Company.

Confirmations of transactions will normally be dispatched on the Business Day following the Dealing Day. Shareholders should promptly check these confirmations to ensure that they are correct in every detail. Investors are advised to refer to the terms and conditions on the application form to inform themselves fully of the terms and conditions to which they are subscribing.

Please refer to Appendix III for more details on the Dealing Cut-off Time and dealing frequency for each Fund.

#### How to pay

Payment should be made by electronic bank transfer net of all bank charges (i.e. at the Investor's expense). Further settlement details are available on the application form.

Shares are normally issued once settlement in cleared funds is received. In the case of applications from approved financial intermediaries or other investors authorised by the Management Company, the issue of Shares is conditional upon the receipt of settlement within a previously agreed period not exceeding three Business Days from the relevant Dealing Day. Any non-Dealing Days for a Fund falling within the settlement period are excluded from the calculation of the settlement date. If, on the settlement date, banks are not open for business in the country of the currency of settlement, then settlement will be on the next Business Day on which those banks are open. Payment should arrive in the appropriate bank account, as specified in the settlement instructions, at the latest by 17:00 on the settlement date. Payments received after this time may be considered to have settled on the next Business Day on which the bank is open. If timely settlement is not made, an application may lapse and be cancelled at the cost of the applicant or his/her financial intermediary. Failure to make good settlement by the settlement date may result in the Company bringing an action against the defaulting Investor or his/her financial intermediary or deducting any costs or losses incurred by the Company or Management Company against any existing holding of the applicant in the Company. In all cases, any confirmation of transaction and any money returnable to the Investor will be held by the Management Company without payment of interest pending receipt of the remittance.

Payments in cash will not be accepted. Third party payments will only be accepted at the Company's discretion. Payment should normally be made in the currency of the relevant Share Class. However, at the request of the Investor, a currency exchange service for subscriptions is provided by the Management Company acting on behalf of the Company.

**Different settlement procedures may apply if applications for Shares are made through Distributors.**

#### **Currency Exchange Service**

Payments to and from the Shareholder should normally be made in the currency of the relevant Share Class. However, if the Shareholder selects a currency other than the currency of the relevant Share Class for any payments to or from the Company, this will be deemed to be a request by the Shareholder to the Management Company acting on behalf of the Company to provide a foreign exchange service to the Shareholder in respect of such payment. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Management Company acting on behalf of the Company. The cost of currency conversion and other related expenses will be borne by the relevant Investor.

#### **Price Information**

The Net Asset Value per Share of one or more Classes is published daily or in line with the valuation frequency of the relevant Fund in such newspapers or other electronic services as determined from time to time by the Directors. It may be made available on the Schroder Investment Management (Luxembourg) S.A. internet site [www.schroders.lu](http://www.schroders.lu), and is available from the registered office of the Company. Neither the Company nor the Distributors accept responsibility for any error in publication or for non-publication of the Net Asset Value per Share.

#### **Types of Shares**

Shares will be issued in registered form. Registered Shares are in non-certificated form. Fractional entitlements to registered Shares will be rounded to two decimal places. Shares may also be held and transferred through accounts maintained with clearing systems.

#### **General**

Instructions to subscribe, once given, are irrevocable, except in the case of a suspension or deferral of dealing. The Management Company and/or the Company in their absolute discretion reserve the right to reject any application in whole or in part. If an application is rejected, any subscription money received will be refunded at the cost and risk of the applicant without interest. Prospective applicants should inform themselves as to the relevant legal, tax and exchange control regulations in force in the countries of their respective citizenship, residence or domicile.

The Management Company may have agreements with certain Distributors pursuant to which they agree to act as or appoint nominees for Investors subscribing for Shares through their facilities. In such capacity, the Distributor may effect subscriptions, switches and redemptions of Shares in nominee name on behalf of individual Investors and request the registration of such operations on the register of Shareholders of the Company in nominee name. The Distributor or nominee maintains its own records and provides the Investor with individualised information as to its holdings of Shares. Except where local law or custom proscribes the practice, Investors may invest directly in the Company and not avail themselves of a nominee service. Unless otherwise provided by local law, any Shareholder holding Shares in a nominee account with a Distributor has the right to claim, at any time, direct title to such Shares.

The Management Company draws however the Investors' attention to the fact that any Investor will only be able to fully exercise his Shareholder rights directly against the Company, if the Investor is registered himself and in his own name in the Shareholders' register. In cases where an Investor invests in the Company through a Distributor or a nominee investing into the Company in his own name but on behalf of the Investor, it may not always be possible for the Investor to exercise certain Shareholder rights directly against the Company. Investors are advised to take advice on their rights.

### **Anti Money Laundering Procedures**

Pursuant to international norms and Luxembourg laws and regulations (comprising but not limited to the law of 12 November 2004 relating to the fight against money laundering and terrorism financing, as amended), obligations have been imposed on the Company to prevent money laundering and terrorism financing. As a result of such provisions, the Company requires the Management Company to verify the identity of the Company's customers and perform ongoing due diligence on them in accordance with Luxembourg laws and regulations. To fulfil this requirement, the Management Company may request any information and supporting documentation it deems necessary, including information about beneficial ownership, source of funds and origin of wealth. In any case, the Management Company may require, at any time, additional documentation to comply with applicable legal and regulatory requirements.

In case of delay or failure by a customer to provide the documents required, an application for subscription or, if applicable, for redemption or any other transaction may not be accepted. Neither the Company nor the Management Company have any liability for delays or failure to process deals as a result of the customer providing no or only incomplete information and/or documentation.

### **Ineligible Investors**

The application form requires each prospective applicant for Shares to represent and warrant to the Company that, among other things, he is able to acquire and hold Shares without violating applicable laws.

Shares may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Directors, might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise incur or suffer.

The Directors may require the compulsory redemption of shares owned by investors in breach of the restrictions of this section.

### **Investment Restrictions applying to Luxembourg Investors**

The Fund will not be distributed to retail investors in the Grand Duchy of Luxembourg.

## **2.2. Redemption and Switching of Shares**

### **Redemption Procedure**

Redemption instructions accepted by the Management Company for any Dealing Day before the Dealing Cut-off Time as specified in Appendix III, or such other time at the Directors' discretion, will normally be executed on the Dealing Day at the relevant Net Asset Value per Share, as defined under "Calculation of Net Asset Value", calculated on the Dealing Day (less any applicable redemption charge). Instructions accepted by the Management Company after the Dealing Cut-off Time will normally be executed on the next relevant Dealing Day at the Net Asset Value per Share.

Execution of a redemption instruction can only be granted if the related registered holding level allows for it. In cases where dealing is suspended in a Fund from which a redemption has been requested, the processing of the redemption will be held over until the next Dealing Day where dealing is no longer suspended.

Instructions to redeem Shares may be given to the Management Company by completing the form requesting redemption of Shares or by letter, facsimile transmission or other means approved by the Management Company where the account reference and full details of the redemption must be provided. All instructions must be signed by the registered Shareholders, except where sole signatory authority has been chosen in the case of a joint account holding or where a representative has been appointed following receipt of a completed power of attorney. The power of attorney's form acceptable to the Management Company is available on request.

**Different settlement procedures may apply if instructions to redeem Shares are communicated via Distributors.**

### **Redemption Proceeds**

Redemption proceeds are normally paid by the Company by bank transfer or electronic transfer and will be instructed to be made at no cost to the Shareholder, provided the Company is in receipt of all documents required. The settlement period of the redemption proceeds for each Fund is specified in Appendix III. Redemption proceeds will normally be paid in the currency of the relevant Share Class. However, at the request of the Shareholder, a currency exchange service for redemptions is provided to the Shareholder by the Management Company acting on behalf of the Company. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Management Company acting on behalf of the Company. The cost of currency conversion and other related expenses will be borne by the relevant Investor.

If, on the settlement date, banks are not open for business in the country of the settlement currency of the relevant Share Class, then settlement will be on the next Business Day on which those banks are open.

### **Switching Procedure**

A switch transaction is one where an existing Shareholder decides to convert its shares in a particular Share Class (the "Original Class") into another Share Class (the "New Class") either within the same Fund or different Funds within the Company.

Acceptance by the Management Company of switching instructions will be subject to the availability of the New Class and to the compliance with any eligibility requirements and/or other specific conditions attached to the New Class (such as minimum subscription and holding amounts). A switch transaction is processed as a redemption from the Original Class followed by a subscription into the New Class.

If the Original and New Classes involved in a switch transaction have the same Dealing Cut-off Time and Dealing Days, switching instructions accepted by the Management Company before the Dealing Cut-off Time as specified in Appendix III, or such other time at the Directors' discretion, will normally be executed on the Dealing Day associated with the receipt of the instruction and will normally be executed based on the relevant Net Asset Values per Share of both Share Classes calculated for that Dealing Day (less any applicable switching charge).

However, the following rules will apply if the settlement period in the New Class is shorter than that of the Original Class and/or if the Original and New Classes are subject to different Dealing Days, or Dealing Cut-off Times, or different day or time of the Net Asset Value per Share availability; or if the Original and New Classes are subject to different Fund holidays or different currency holidays during the settlement cycle:

- (A) the redemption will be dealt with on the Dealing Day relating to the receipt of the switching instruction with the Net Asset Value per Share of the Original Class calculated for that Dealing Day, and
- (B) the subscription will be executed at the next earliest Dealing Day applicable for the New Class with the Net Asset Value per Share of the New Class calculated for that Dealing Day, and
- (C) the subscription may be further deferred to a later Dealing Day so that the settlement date for the subscription will always match or follow the settlement date for the redemption (if possible both settlement periods will be matched), and
- (D) where the redemption is settled before the subscription, the redemption proceeds will remain on the Company's collection account and interest accrued will be for the benefit of the Company.

In cases where dealing is suspended in a Fund from or to which a switch has been requested, the processing of the switch will be held over until the next Dealing Day when dealing is no longer suspended. The switching procedures described above will continue to apply.

Instructions to switch Shares may be given to the Management Company by completing the switch form or by letter, facsimile transmission or other means approved by the Management Company where the account reference and the number of Shares to be switched between named Share Classes must be provided. All instructions must be signed by the registered Shareholders, except where sole signatory authority has been

chosen in the case of a joint account holding or where a representative has been appointed following receipt of a completed power of attorney. The power of attorney form acceptable to the Management Company is available on request.

Instructions to switch Shares between Share Classes denominated in different currencies will be accepted. A currency exchange service for such switches is provided by the Management Company acting on behalf of the Company. Details of the charge applied to foreign exchange transactions, which is retained by the Management Company, are available upon request from the Management Company acting on behalf of the Company. The cost of currency conversion and other related expenses will be borne by the relevant Investor.

The Directors may, at their discretion, allow certain selected Distributors to make a charge for switching which shall not exceed 1% of the value of the Share being requested to be switched.

The same principles may apply if Investors instruct switches between investment funds belonging to different legal structures within Schroders' fund ranges.

Shareholders should seek advice from their local tax advisers to be informed on the local tax consequences of such transactions.

#### **General**

**Different redemption and switching procedures may apply if instructions to switch or redeem Shares are communicated via Distributors.**

**All instructions to redeem or switch Shares shall be dealt with on an unknown Net Asset Value basis before the determination of the Net Asset Value per Share for that Dealing Day.**

The value of Shares held by any Shareholder in any one Share Class after any switch or redemption should generally exceed the minimum investment as specified in Appendix III.

Unless waived by the Management Company, if, as a result of any switch or redemption request, the amount invested by any Shareholder in a Share Class in any one Fund falls below the minimum holding for that Share Class, it will be treated as an instruction to redeem or switch, as appropriate, the Shareholder's total holding in the relevant Share Class.

The Directors may permit, if they deem it appropriate, different Dealing Cut-off Times to be determined in justified circumstances, such as distribution to Investors in jurisdictions with a different time zone. Such different Dealing Cut-off Times may either be specifically agreed upon with Distributors or may be published in any supplement to the Prospectus or other marketing document used in the jurisdiction concerned. In such circumstances, the applicable Dealing Cut-off Time applied to Shareholders must always precede the Dealing Cut-off Time referred to in Appendix III.

Confirmation of transactions will normally be dispatched by the Management Company on the Business Day following the Dealing Day relevant to those redemption or switching transactions. Shareholders should promptly check these confirmations to ensure that they are correct in every detail.

Switching or redemption requests will be considered binding and irrevocable by the Management Company and will, at the discretion of the Management Company, only be executed where the relevant Shares have been duly issued.

Instructions to make payments to third parties will only be accepted at the Management Company's discretion.

### **2.3. Restrictions on Subscriptions and Switches into Certain Funds or Classes**

A Fund or Share Class may be closed to new subscriptions or switches in (but not to redemptions or switches out) if, in the opinion of the Management Company, the closure is necessary to protect the interests of existing Shareholders. Without limiting the circumstances where the closure may be appropriate, the circumstances would be where the Fund or a Share Class has reached a size such that the capacity of the market has been reached or that it becomes difficult to manage in an optimal manner, and/or where to permit further inflows would be detrimental to the performance of the Fund or the Share Class. Any Fund or Share Class may be closed to new subscriptions or switches in without notice to Shareholders if Appendix III discloses that a Fund or Share Class is capacity constrained. Once closed, a Fund, or Share Class, will not be re-opened until, in the opinion of the Management Company, the circumstances which required closure no longer prevail. A Fund or Share Class may be re-opened to new subscriptions or switches in without notice to Shareholders.



Investors should contact the Management Company or check the website [www.schroders.lu](http://www.schroders.lu) for the current status of the relevant Funds or Share Classes and for subscription opportunities that may occur (if any).

Capacity Restricted Dealing ("CRD") may be implemented for Funds (or Share Classes) which are closed to new subscriptions or switches in. Any Investor who wants to invest in a Fund (or a Share Class) for which CRD is in effect (except as stated below) must submit an expression of interest ("EOI") form to the Management Company, which can be found on the website: [www.schroders.lu/crd](http://www.schroders.lu/crd). Investors who have submitted a valid EOI form will be placed on a waiting list and contacted by the Management Company should capacity become available as a result of redemptions from the relevant Fund. Investors will be contacted strictly in the date order in which the EOI forms were accepted by the Management Company. The EOI form contains a maximum subscription limit which investors may not exceed.

The Management Company reserves the right to reject or scale back subscriptions if the total subscription amount is in excess of the limit stated in the terms and conditions of the EOI form. Investors should contact the Management Company or check the website [www.schroders.lu/crd](http://www.schroders.lu/crd) for more detail on how the CRD facility will operate and for the list of closed Funds (or Share Classes) for which CRD is in effect. The normal eligibility requirements will apply to any applications made under the CRD process.

The Management Company may accept a subscription in a Fund (or any Share Class) which is closed to new subscriptions or switches in, and in relation to which CRD may or may not be in effect, where (i) the Investment Manager of such Fund (or Share Class) informs the Management Company that investment capacity has become available, or (ii) where such applicant gave the Management Company a commitment to invest in the Fund (or Share Class) prior to CRD coming into effect in respect of that Fund (or Share Class). Such subscriptions may be made by any Investor, whether or not they are also on the CRD waiting list referred to above.

## **2.4. Calculation of the Net Asset Value per Share**

- (A) The Net Asset Value per Share of each Share Class will be calculated on each Dealing Day in the currency of the relevant Share Class. It will be calculated by dividing the Net Asset Value attributable to each Share Class, being the proportionate value of its assets less its liabilities, by the number of Shares of such Share Class then in issue. The resulting sum shall be rounded to the nearest two decimal places.
- (B) The Directors reserve the right to allow the Net Asset Value per Share of each Share Class to be calculated more frequently than once daily, or to otherwise alter dealing arrangements on a permanent or a temporary basis, for example, where the Directors consider that a material change to the market value of the investments in one or more Funds so demands. The Prospectus will be amended, following any such permanent alteration, and Shareholders will be informed accordingly.
- (C) In valuing total assets, the following rules will apply:
  - (1) The value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Company may consider appropriate in such case to reflect the true value thereof.
  - (2) The value of any securities, assets (including shares or units in closed-ended UCIs) and derivative instruments will be determined on the basis of the last available price on the stock exchange or any other Regulated Market on which these securities, assets or derivative instruments are traded or admitted for trading. Where such securities, assets or derivative instruments are quoted or dealt in one or by more than one stock exchange or any other Regulated Market, the Directors shall make regulations for the order of priority in which stock exchanges or other Regulated Markets shall be used for the provision of prices of securities, assets or derivative instruments.

- (3) If a security is not traded or admitted on any official stock exchange or any Regulated Market, or in the case of securities so traded or admitted the last available price of which does not reflect their true value, the Directors are required to proceed on the basis of their expected sales price, which shall be valued with prudence and in good faith.
- (4) The derivative instruments which are not listed on any official stock exchange or traded on any other organised market are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative. The reference to fair value shall be understood as a reference to the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction. The reference to reliable and verifiable valuation shall be understood as a reference to a valuation, which does not rely only on market quotations of the counterparty and fulfils the following criteria:
  - (I) The basis of the valuation is either a reliable up-to-date market value of the instrument, or, if such value is not available, a pricing model using an adequate, recognised methodology.
  - (II) Verification of the valuation is carried out by one of the following:
    - (a) an appropriate third party which is independent from the counterparty of the OTC derivative, at an adequate frequency and in such a way that the Company is able to check it;
    - (b) a unit within the Company which is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.
- (5) Swaps contracts will be valued at the market value fixed in good faith by the Directors and according to generally accepted valuation rules that can be verified by auditors. Asset based swap contracts will be valued by reference to the market value of the underlying assets. Cash flow based swap contracts will be valued by reference to the net present value of the underlying future cash flows.
- (6) Each share or unit in an open-ended UCI will be valued at the last available net asset value (or bid price for dual priced UCI) whether estimated or final, which is computed for such unit or shares on the same Dealing Day, failing which, it shall be the last net asset value (or bid price for dual priced UCI) computed prior to the Dealing Day on which the Net Asset Value of the Shares is determined.
- (7) In respect of shares or units of a UCI held by the Company, for which issues and redemptions are restricted and a secondary market trading is effected between dealers who, as main market makers, offer prices in response to market conditions, the Directors may decide to value such shares or units in line with the prices so established.
- (8) If, since the day on which the latest net asset value was calculated, events have occurred which may have resulted in a material change of the net asset value of shares or units in other UCI held by the Company, the value of such shares or units may be adjusted in order to reflect, in the reasonable opinion of the Directors, such change of value.
- (9) The value of any security or other asset which is dealt principally on a market made among professional dealers and institutional investors shall be determined by reference to the last available price.
- (10) If any of the aforesaid valuation principles do not reflect the valuation method commonly used in specific markets or if any such valuation principles do not seem accurate for the purpose of determining the value of the Company's assets, the Directors may fix different valuation principles in good faith and in accordance with generally accepted valuation principles and procedures.
- (11) Any assets or liabilities in currencies other than the base currency of the Funds (as defined in Appendix III) will be converted using the relevant spot rate quoted by a bank or other responsible financial institution.

- (12) In circumstances where the interests of the Company or its shareholders so justify (avoidance of market timing practices, for example), the Directors may take any appropriate measures, such as applying a fair value pricing methodology to adjust the value of the Company's assets, as further described below under 2.6 "Market Timing and Frequent Trading Policy".

## 2.5. Suspensions or Deferrals

- (A) The Company reserves the right not to accept instructions to redeem or switch on any one Dealing Day more than 10% of the total value of Shares in issue of any Fund. In these circumstances, the Directors may declare that the redemption of part or all Shares in excess of 10% for which a redemption or switch has been requested will be deferred until the next Dealing Day and will be valued at the Net Asset Value per Share prevailing on that Dealing Day. On such Dealing Day, deferred requests will be dealt with in priority to later requests and in the order that requests were initially received by the Management Company.
- (B) The Company reserves the right to extend the period of payment of redemption proceeds to such period, not exceeding thirty Business Days, as shall be necessary to repatriate proceeds of the sale of investments in the event of impediments due to exchange control regulations or similar constraints in the markets in which a substantial part of the assets of a Fund are invested or in exceptional circumstances where the liquidity of a Fund is not sufficient to meet the redemption requests.
- (C) The Company may suspend or defer the calculation of the Net Asset Value per Share of any Share Class in any Fund and the issue and redemption of any Shares in such Fund, as well as the right to switch Shares of any Share Class in any Fund into Shares of the same Share Class of the same Fund or any other Fund:
- (1) during any period when any of the principal stock exchanges or any other Regulated Market on which any substantial portion of the Company's investments of the relevant Share Class for the time being are quoted, is closed, or during which dealings are restricted or suspended; or
  - (2) any period when the Net Asset Value of one or more UCI(s), in which the Company will have invested and the units or the shares of which constitute a significant part of the assets of the Company, cannot be determined accurately so as to reflect their fair market value as at the Dealing Day; or
  - (3) during the existence of any state of affairs which constitutes an emergency as a result of which disposal or valuation of investments of the relevant Fund by the Company is impracticable; or
  - (4) during any breakdown in the means of communication normally employed in determining the price or value of any of the Company's investments or the current prices or values on any market or stock exchange; or
  - (5) during any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of such Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of such Shares cannot in the opinion of the Directors be effected at normal rates of exchange; or
  - (6) if the Company or a Fund is being or may be wound-up or merged on or following (i) the date on which notice is given of the meeting of Shareholders at which a resolution to wind up the Company or a Fund is proposed or (ii) the date on which the Directors decide to wind up or merge a Fund; or
  - (7) if the Directors have determined that there has been a material change in the valuations of a substantial proportion of the investments of the Company attributable to a particular Share Class in the preparation or use of a valuation or the carrying out of a later or subsequent valuation; or
  - (8) during any period when the determination of the Net Asset Value per Share and/or the redemptions in the underlying investment funds representing a material part of the assets of the relevant Fund is suspended; or
  - (9) during any other circumstance or circumstances where a failure to do so might result in the Company or its Shareholders incurring any liability to taxation or suffering other pecuniary disadvantages or other detriment.

- (D) The suspension of the calculation of the Net Asset Value per Share of any Fund or Share Class shall not affect the valuation of other Funds or Share Classes, unless these Funds or Share Classes are also affected.
- (E) During a period of suspension or deferral, a Shareholder may withdraw his request in respect of any Shares not redeemed or switched, by notice in writing received by the Management Company before the end of such period.

Shareholders will be informed of any suspension or deferral as appropriate.

## **2.6. Market Timing and Frequent Trading Policy**

The Company does not knowingly allow dealing activity which is associated with market timing or frequent trading practices, as such practices may adversely affect the interests of all Shareholders.

For the purposes of this section, market timing is held to mean subscriptions into, switches between or redemptions of Shares from the various Share Classes (whether such acts are performed singly or severally at any time by one or several persons) that seek or could reasonably be considered to appear to seek profits through arbitrage or market timing opportunities. Frequent trading is held to mean subscriptions into, switches between or redemptions of Shares from the various Share Classes (whether such acts are performed singly or severally at any time by one or several persons) that by virtue of their frequency or size cause any Fund's operational expenses to increase to an extent that could reasonably be considered detrimental to the interests of the Fund's other Shareholders.

Accordingly, the Directors may, whenever they deem it appropriate, cause the Management Company to implement either one, or both, of the following measures:

- The Management Company may combine Shares which are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in market timing practices. Accordingly, the Directors reserve the right to cause the Management Company to reject any application for switching and/or subscription of Shares from Investors whom the former considers market timers or frequent traders.
- If a Fund is primarily invested in markets which are closed for business at the time the Fund is valued, the Directors may, during periods of market volatility, and by derogation from the provisions above, under "Calculation of Net Asset Value", cause the Management Company to allow for the Net Asset Value per Share to be adjusted to reflect more accurately the fair value of the Fund's investments at the point of valuation.

As a result, where the Directors believe that a significant event has occurred between the close of the markets in which a Fund invests and the point of valuation, and that such event will materially affect the value of that Fund's portfolio, they may cause the Management Company to adjust the Net Asset Value per Share so as to reflect what is believed to be the fair value of the portfolio as at the point of valuation ("fair value pricing").

The level of adjustment will be based upon the movement in a chosen surrogate up until the point of valuation, provided that such movement exceeds the threshold as determined by the Directors for the relevant Fund. The surrogate will usually be in the form of a futures index, but might also be a basket of securities, which the Directors believe is strongly correlated to, and representative of, the performance of the Fund.

Where an adjustment is made as per the foregoing, it will be applied consistently to all Share Classes in the same Fund.

# Section 3

## 3. General Information

### 3.1. Administration Details, Charges and Expenses

#### Directors

Each of the Directors is entitled to remuneration for his services at a rate determined by the Company in the general meeting from time to time. In addition, each Director may be paid reasonable expenses incurred while attending meetings of the board of Directors or general meetings of the Company. Directors who are also directors/employees of the Management Company and/or any Schroders' company will waive their Directors' remuneration. External Directors will be remunerated for their services.

#### Management Company

The Directors have designated Schroder Investment Management (Luxembourg) S.A. as (i) its management company to perform investment management, administration, shareholder registration, dealing and marketing functions in respect of the Company and (ii) as alternative investment fund manager of the Company within the meaning of article 1 (46) of the 2013 Law.

The Management Company has been permitted by the Company to delegate certain administrative, distribution and management functions to specialised service providers. In that context, the Management Company has delegated certain administration functions to J.P. Morgan Bank Luxembourg S.A. and may delegate certain marketing functions to entities which form part of the Schroders group. The Management Company has also delegated the portfolio management function of the Funds to the Investment Managers within the limits permitted by the 2013 Law and subject to proper supervision as more fully described below. However, the Management Company remains responsible for risk management function.

The Management Company will monitor on a continued basis the activities of the third parties to which it has delegated functions. The agreements entered between the Management Company and the relevant third parties provide that the Management Company can give at any time further instructions to such third parties, and that it can withdraw their mandate with immediate effect if this is in the interest of the Shareholders. The Management Company's liability towards the Company is not affected by the fact that it has delegated certain functions to third parties.

The Management Company is entitled to receive the customary charges for its services as administration agent, coordinator, domiciliary agent, global distributor, principal paying agent and registrar and transfer agent. These fees accrue daily on each Business Day at an annual rate of up to 0.25% by reference to the Net Asset Value of the relevant Fund and are paid monthly in arrears. As the administration charge is a fixed percentage of the Net Asset Value of the Fund it will not vary with the cost of providing the relevant services. As such the Management Company could make a profit (or loss) on the provision of those services, which will fluctuate over time on a Fund by Fund basis. These fees are subject to review from time to time by the Management Company and the Company. The Management Company is also entitled to reimbursement of all reasonable out-of-pocket expenses properly incurred in carrying out its duties.

Schroder Investment Management (Luxembourg) S.A. was incorporated as a "Société Anonyme" in Luxembourg on 23 August 1991 and has an issued share capital of EUR 12,650,000. Schroder Investment Management (Luxembourg) S.A. has been authorised as a management company under chapter 15 of the 2010 Law and as alternative investment fund manager under the 2013 Law.

#### Investment Managers

The Investment Managers may on a discretionary basis acquire and dispose of securities of the Funds for which they have been appointed as investment adviser and manager, subject to and in accordance with instructions received from the Management Company and/or the Company from time to time, and in accordance with stated investment objectives and restrictions. The Investment Managers are entitled to receive as remuneration for their services management fees, as specified in Appendix III. Such fees are calculated and accrued on each Dealing Day by reference to the Net Asset Values of the Funds and paid monthly in arrears. In the performance of their duties, Investment Managers may seek, at their own expense, advice from investment advisers.

The Investment Managers of the Funds are specified in Appendix III.

## Performance Fees

In consideration of the services provided by the Investment Managers in relation to the Funds, the former are entitled to receive a performance fee, in addition to management fees. Three models are used to calculate performance fees, as described below, and details of which model is being used for a particular Fund can be found in Appendix III. It should also be noted that the performance fee is calculated prior to any dilution adjustments.

In relation to currency hedged Share Classes, currency hedged versions of the relevant performance fee benchmark (including currency equivalent cash benchmarks) may be used for performance fee calculation purposes.

### (A) Performance Fees – Using a hurdle or benchmark with a High Water Mark

The performance fee becomes due in the event of outperformance, that is if the increase in the Net Asset Value per Share during the relevant performance period exceeds the hurdle, or in the case of a performance fee based on outperformance over a benchmark, the increase in the relevant benchmark over the same period, in accordance with the high water mark principle, i.e. by reference to the Net Asset Value per Share at the end of any previous performance period (the High Water Mark). The performance period shall normally be each financial year except that where the Net Asset Value per Share as at the end of the financial year is lower than the High Water Mark, the performance period will commence on the date of the High Water Mark. If a performance fee is introduced on a Fund during a financial year, then its first performance period will commence on the date on which such fee is introduced.

The performance fee, if applicable, is payable yearly during the month immediately following the end of each financial year. In addition if a Shareholder redeems or switches all or part of their Shares before the end of a performance period, any accrued performance fee with respect to such Shares will crystallise on that Dealing Day and will then become payable to the Investment Manager. The High Water Mark is not reset on those Dealing Days at which performance fees crystallise following the redemption or switch of Shares.

It should be noted that as the Net Asset Value per Share may differ between Share Classes, separate performance fee calculations will be carried out for separate Share Classes within the same Fund, which therefore may become subject to different amounts of performance fee.

A Share Class performance fee is accrued on each Dealing Day, on the basis of the difference between the Net Asset Value per Share on the preceding Dealing Day (before deduction of any provision for the performance fee) and the hurdle, multiplied by the average number of Shares in issue over the financial year or in the case of a performance fee based on outperformance over a benchmark the higher of the target Net Asset Value per Share (i.e. the hypothetical Net Asset Value per Share assuming a performance based on the benchmark until the preceding Dealing Day) or the High Water Mark, multiplied by the average number of Shares in issue over the current financial year.

On each Dealing Day, the accounting provision made on the immediately preceding Dealing Day is adjusted to reflect the Share's performance, positive or negative, calculated as described above. If the Net Asset Value per Share on any given Dealing Day is lower than the target Net Asset Value or the High Water Mark, the provision made on such Dealing Day is returned to the relevant Share Class within the relevant Fund. The accounting provision may, however, never be negative. Under no circumstances will the respective Investment Manager pay money into a Fund or to any Shareholder for any underperformance.

### (B) Performance Fees – Using benchmark without a High Water Mark

The performance fee is due in the event of outperformance, that is, if the performance, positive or negative, of the Net Asset Value per Share exceeds the performance of the relevant benchmark over the same period. The performance period shall normally be each year except in the event of underperformance, when the performance fee period will continue into the following year and thereafter in the event of continued underperformance. If a performance fee is introduced on an additional Fund during a financial year, then its first performance period will commence on the date on which such fee is introduced.

The performance fee, if applicable, is specified for each Fund in the Fund Details section in Appendix III, and is payable yearly during the month immediately following the end of each financial year.

It should be noted that as the Net Asset Value per Share may differ between Share Classes, separate performance fee calculations will be carried out for separate Share Classes within the same Fund, which therefore may become subject to different amounts of performance fee.

A Share Class performance fee is accrued on each Dealing Day, on the basis of the difference between the Net Asset Value per Share on the preceding Dealing Day (before deduction of any provision for the performance fee) and the target Net Asset Value per Share (i.e. the hypothetical Net Asset Value per Share assuming a performance based on the benchmark (see below) until the preceding Dealing Day), multiplied by the average number of Shares in issue over the period from the start of the performance period to the relevant Dealing Day.

On each Dealing Day, the accounting provision made on the immediately preceding Dealing Day is adjusted to reflect the Share Class' performance, positive or negative, calculated as described above. If the Net Asset Value per Share on any given Dealing Day is lower than the target Net Asset Value, the provision made on such Dealing Day is returned to the relevant Share Class within the relevant Fund. The accounting provision may, however, never be negative. Under no circumstances will the respective Investment Managers pay money into any Fund or to any Shareholder for any underperformance.

#### **(C) Performance Fees – On absolute returns with a High Water Mark**

The performance fee becomes due in the event of outperformance, that is, if the Net Asset Value per Share at the end of the relevant performance period exceeds the High Water Mark, i.e. by reference to the Net Asset Value per Share at the end of any previous performance period (the High Water Mark). The performance period shall normally be each financial year except that where the Net Asset Value per Share as at the end of the financial year is lower than the High Water Mark, the performance period will commence on the date of the High Water Mark. If a performance fee is introduced on a Fund during a financial year, then its first performance period will commence on the date on which such fee is introduced.

The performance fee is set at 10% (except for Schroder Alternative Solutions UK Dynamic Absolute Return Fund, for which it is set at 20%) of the positive performance as defined above, and is payable yearly during the month immediately following the end of each financial year. In addition if a Shareholder redeems or switches all or part of their Shares before the end of a performance period, any accrued performance fee with respect to such Shares will crystallise on that Dealing Day and will then become payable to the Investment Manager. The High Water Mark is not reset on those Dealing Days at which performance fees crystallise following the redemption or switch of Shares.

It should be noted that as the Net Asset Value per Share may differ between Share Classes, separate performance fee calculations will be carried out for separate Share Classes within the Fund, which therefore may become subject to different amounts of performance fee.

A Share Class' performance fee is accrued on each Business Day, on the basis of the difference between the Net Asset Value per Share on the preceding Business Day (before deduction of any provision for the performance fee) and the High Water Mark, multiplied by the average number of Shares in issue over the financial year.

On each Business Day, the accounting provision made on the preceding Business Day is adjusted to reflect the Shares' performance, positive or negative, calculated as described above. If the Net Asset Value per Share on the Business Day is lower than the High Water Mark, the provision made on such Business Day is returned to the relevant Share Class within the relevant Fund. The accounting provision may, however, never be negative. Under no circumstances will the respective Investment Manager pay money into a Fund or to any Shareholder for any underperformance. At the time of issue of this Prospectus, the relevant Funds and Share Classes in relation to which the performance fee may be introduced are specified in the Fund details in Appendix III, as appropriate, including details of any hurdle or benchmark used. For the avoidance of doubt, the benchmarks mentioned in Appendix III are solely used for performance fee calculation purposes, and they should therefore under no circumstances be considered as indicative of a specific investment style.

### Marketing of the Shares and terms applying to Distributors

The Management Company shall perform its marketing functions by appointing and, as the case may be, terminating, coordinating among and compensating third party distributors of good repute in the countries where the Shares of the Funds may be distributed or privately placed. Third party distributors shall be compensated for their distribution, shareholder servicing and expenses. Third party distributors may be paid a portion or all of the initial charge, distribution charge, shareholder servicing fee, and management fee.

Distributors may only market the Company's Shares if the Management Company has authorised them to do so.

Distributors shall abide by and enforce all the terms of this Prospectus including, where applicable, the terms of any mandatory provisions of Luxembourg laws and regulations relating to the distribution of the Shares. Distributors shall also abide by the terms of any laws and regulations applicable to them in the country where their activity takes place, including, in particular, any relevant requirements to identify and know their clients.

Distributors must not act in any way that would be damaging or onerous on the Company in particular by submitting the Company to regulatory, fiscal or reporting information it would otherwise not have been subject to. Distributors must not hold themselves out as representing the Company.

### Structured Products

Investment in the Shares for the purpose of creating a structured product replicating the performance of the Funds is only permitted after entering into a specific agreement to this effect with the Management Company. In the absence of such an agreement, the Management Company can refuse an investment into the Shares if this is related to a structured product and deemed by the Management Company to potentially conflict with the interest of other Shareholders.

### Depository

J.P. Morgan Bank Luxembourg S.A. has been appointed by the Company as the depository of the Company in charge of (i) the safekeeping of the assets of the Company (ii) the cash monitoring, (iii) the oversight functions and (iv) such other services as may be agreed in writing from time to time between the Company and the Depository.

J.P. Morgan Bank Luxembourg S.A. is a credit institution incorporated in Luxembourg as a "Société Anonyme" for an unlimited duration on May 16, 1973 whose registered office is at European Bank & Business Centre, 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg and which is registered with the Luxembourg register of commerce and companies under number B10958. It is licensed to carry out banking activities under the terms of the Luxembourg Law of 5 April 1993 on the financial services sector, as amended. On 31 December 2015, its capital reserves amounted to USD 1,184,767,457. The principal activities of J.P. Morgan Bank Luxembourg S.A. are custodial and investment administration services.

The Depository may receive a fee in relation to these fiduciary services, which is set at a rate of up to 0.005% per annum of the Net Asset Value of the Company. The Depository shall assume its functions and responsibilities in accordance with the 2013 Law. The principal duties of the Depository are as follows:

- (A) Safe-keeping of the assets of the Company that can be held in custody (including book entry securities) and record-keeping of assets that cannot be held in custody in which case the Depository must verify their ownership;
- (B) Ensure that the Company's cash flows are properly monitored, and in particular ensure that all payments made by or on behalf of Investors upon the subscription of Shares in the Company have been received and that all cash of the Company has been booked in cash accounts that the Depository can monitor and reconcile;
- (C) Ensure that the issue, redemption and cancellation of Shares of the Company are carried out in accordance with applicable laws and the Articles;
- (D) Ensure that the value of the Shares of the Company is calculated in accordance with applicable laws, the Articles and the valuation procedures;



- (E) Carry out the instructions of the Management Company, unless they conflict with applicable laws or the Articles;
- (F) Ensure that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits;
- (G) Ensure that the Company's income is applied in accordance with applicable laws and the Articles.

In relation to the Depositary's safekeeping duties as referred to in paragraph (A) above, in respect of financial instruments (that can be held in custody (as defined in article 1 (51) of the 2013 Law), the Depositary is liable to the Shareholders for any loss of such financial instruments held in custody by the Depositary or any delegate of the Depositary to whom safekeeping of those financial instruments has been delegated, save to the extent that any such liability has been contractually discharged to a sub-custodian pursuant to article 19(11) and article 19(13) of the 2013 Law. The term "loss of financial instruments held in custody" shall be interpreted in accordance with the AIFM Regulation and especially article 100 of the AIFM Regulation.

The Depositary may only delegate its safekeeping functions but not its oversight functions. Additionally, when delegating such functions, the Depositary shall comply with the due diligence and supervisory requirements of the 2013 Law relating to the selection and on-going monitoring of sub-custodians. The Depositary shall also ensure that identified conflicts of interest are managed and monitored.

In the event that the law of a particular jurisdiction requires that certain financial instruments be held in custody by a local entity and no local sub-custodian has, been identified by the Depositary as being capable of fulfilling the delegation requirements of the 2013 Law, the Management Company shall, prior to the Shareholders investing in those financial instruments, (i) ensure that the Shareholders are duly informed that the delegation is required due to legal constraint in that jurisdiction and (ii) set out for them the circumstances that, in the reasonable opinion of the Management Company, justify such delegation. In the event that the delegation requirements of the 2013 Law are not capable of being fulfilled by a sub-custodian after the Shareholder has invested in the Company, the Management Company shall also ensure that the Shareholders are informed of the legal constraints in the relevant law and of the circumstances that, in the reasonable opinion of the Management Company, justify such delegation.

To the extent that a sub-custodian is permitted to sub-delegate its functions, it may do so only to the extent that its liability under the 2013 Law is not affected by such sub-delegation.

A list of the appointed sub-custodians shall be made available to Shareholders on request. There are currently no arrangements for the contractual discharge of the Depositary's liability. Shareholders shall be notified of any arrangements agreed with the Depositary for any such discharge.

The Depositary will receive from the Company such fees and commissions as are in accordance with usual practice in Luxembourg as well as accounting fees covering the Company's accounting. The custody safe keeping services and transaction fees are paid on a monthly basis and are calculated on the assets held at the month end. The percentage rate of the safekeeping fee and the level of transaction fees vary, according to the country in which the relevant activities take place, up to a maximum of 0.3% per annum and USD 150 per transaction respectively.

Fees relating to core fund accounting and valuation services are calculated and accrued on each Business Day at an annual rate of up to 0.020% of the Net Asset Value of a Fund. Additional fees may be due from each Fund for additional services such as non-standard valuations; additional accounting services, for example performance fee calculations; and for tax reporting services.

Fiduciary fees, custody safekeeping and transaction fees, together with fund accounting and valuation fees, may be subject to review by the Depositary and the Company from time to time. In addition, the Depositary is entitled to any reasonable expenses properly incurred in carrying out its duties.

The amounts paid to the Depositary will be shown in the Company's financial statements.

### Other Charges and Expenses

The Company will pay all charges and expenses incurred in the operation of the Company including, without limitation, taxes, expenses for legal and auditing services, brokerage, governmental duties and charges, settlement costs and bank charges, stock exchange listing expenses and fees due to supervisory authorities in various countries, including the costs incurred in obtaining and maintaining registrations so that the Shares of the Company may be marketed in different countries; expenses incurred in the issue, switch and redemption of Shares and payment of dividends, registration fees, insurance, interest and the costs of computation and publication of Share prices and postage, telephone, facsimile transmission and the use of other electronic communication; costs of printing proxies, statements, Share certificates or confirmations of transactions, Shareholders' reports, prospectuses and supplementary documentation, explanatory brochures and any other periodical information or documentation.

Investment Managers may enter into soft commission arrangements only where there is a direct and identifiable benefit to the clients of the Investment Manager, including the Company, and where the Investment Manager is satisfied that the transactions generating the soft commissions are made in good faith, in strict compliance with applicable regulatory requirements and in the best interests of the Company. Any such arrangements must be made by the Investment Manager on terms commensurate with best market practice.

The Company shall bear its incorporation expenses, including the costs of drawing up and printing the Prospectus, notary public fees, the filing costs with administrative and stock exchange authorities, the costs of printing the certificate and any other costs pertaining to the setting up and launching of the Company.

The expenses incurred by the Company in relation to the launch of additional Funds will be borne by, and payable out of the assets of, those Funds and will be amortised on a straight line basis over 5 years from the launch date.

### 3.2. Company Information

- (A) The Company is an umbrella open-ended investment company with limited liability, organised as a "société anonyme" and qualifies as a SICAV under part II of the 2010 Law. The Company was incorporated on 6 October 2005 and its Articles were last amended on 22 May 2012 and published in the Mémorial C, Recueil des Sociétés et Associations on 31 May 2012.

The Company is registered under Number B 111 315 with the "Registre de Commerce et des Sociétés", where the Articles have been filed and are available for inspection. The Company exists for an indefinite period.

- (B) The minimum capital of the Company required by Luxembourg law is EUR 1,250,000. The share capital of the Company is represented by fully paid Shares of no par value and is at any time equal to its Net Asset Value. Should the capital of the Company fall below two thirds of the minimum capital, an Extraordinary Meeting of Shareholders must be convened to consider the dissolution of the Company. Any decision to liquidate the Company must be taken by a majority of the Shares present or represented at the meeting. Where the share capital falls below one quarter of the minimum capital, the Directors must convene an Extraordinary Meeting of Shareholders to decide upon the liquidation of the Company. At that Meeting, the decision to liquidate the Company may be taken by Shareholders holding together one quarter of the Shares present or represented.
- (C) The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into:
- (1) Fund Services Agreement between the Company and Schroder Investment Management (Luxembourg) S.A. as the appointed Management Company.
  - (2) Depositary and Custodian Agreement between the Company, J.P. Morgan Bank Luxembourg S.A. and the Investment Manager
- The material contracts listed above may be amended from time to time by agreement between the parties thereto.
- In relation to the Depositary and Custodian Agreement listed above:

The Depositary or the Company may terminate the Depositary and Custodian Agreement at any time upon sixty (60) calendar days' written notice (or earlier in case of certain breaches of the Depositary and Custodian Agreement provided that the Depositary and Custodian Agreement shall not terminate until a replacement depositary is appointed).

Up-to-date information regarding the description of the Depositary's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary, the list of third-party delegates and any conflicts of interest that may arise from such a delegation will be made available to Investors on request at the Company's registered office.

### **Documents of the Company**

Copies of the Articles, Prospectus and financial reports may be obtained free of charge and upon request, from the registered office of the Company. The material contracts referred to above are available for inspection during normal business hours, at the registered office of the Company.

Any other financial information to be published concerning the Company, including the daily Net Asset Value, the historical performance of the Funds, the issue and repurchase price of the Shares and any suspension of such valuation, will be made available to the public on the website of the Management Company and upon request at the registered office of the Company and of the Management Company.

### **Shareholder Notifications**

Relevant notifications or other communications to Shareholders concerning their investment in the Company may be posted on the website [www.schroders.lu](http://www.schroders.lu). In addition and where required by Luxembourg law or the CSSF, Shareholders will also be notified in writing or in such other manner as prescribed under Luxembourg law. In particular, Shareholders should refer to 3.5 Meetings and Reports.

### **Queries and Complaints**

Any person who would like to receive further information regarding the Company or who wishes to make a complaint about the operation of the Company should contact the Compliance Officer, Schroder Investment Management (Luxembourg) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Grand Duchy of Luxembourg.

Shareholders shall not have any direct contractual rights against the Management Company, the Investment Manager, the Depositary, the auditor of the Company or any other service providers of the Company who have been appointed from time to time by the Company.

### **Applicable laws and jurisdiction**

The Company is governed by the Laws of the Grand Duchy of Luxembourg.

By entering into the Company's subscription documents the relevant Investor will enter into a contractual relationship governed by Articles, the Prospectus and applicable laws and regulations.

The subscription documents will be subject to the exclusive jurisdiction of the courts of Luxembourg to settle any dispute or claim arising out of or in connection with a Shareholder's investment in the Company or any related manner.

According to Regulation (EU) 1215/2015 of 12 December 2015 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, a judgment given in a Member State shall, if enforceable in that Member State, in principle (a few exceptions are provided for in Regulation (EU) 1215/2012) be recognised in the other Member State without any special procedure being required and shall be enforceable in the other Member States without any declaration of enforceability being required.

### 3.3. Dividends

#### Dividend Policy

It is intended that the Company will distribute dividends to holders of Distribution Shares in the form of cash in the relevant Fund's currency. Annual dividends are declared separately in respect of Distribution Shares at the annual general meeting of Shareholders. In addition, the Directors may declare interim dividends in respect of Distribution Shares.

A dividend calendar including details on the distribution frequency and the dividend calculation basis for all available Share Classes can be requested from the Management Company and is available on [www.schroders.lu](http://www.schroders.lu).

The Directors may decide that dividends be automatically reinvested by the purchase of further Shares. However, no dividends will be distributed if their amount is below the amount of EUR 50 or its equivalent. Such amount will automatically be reinvested.

Dividends to be reinvested will be paid to the Management Company who will reinvest the money on behalf of the Shareholders in additional Shares of the same Share Class. Such Shares will be issued on the payment date at the Net Asset Value per Share of the relevant Share Class in non-certificated form. Fractional entitlements to registered Shares will be recognised to two decimal places.

Income equalisation arrangements are applied in the case of all Share Classes. These arrangements are intended to ensure that the income per share which is distributed in respect of a Distribution Period is not affected by changes in the number of Shares in issue during that period.

Dividends remaining unclaimed five years after the dividend record date will be forfeited and will accrue for the benefit of the relevant Fund.

### 3.4. Taxation

The following is based on the Directors' understanding of the law and practice in force at the date of this document and applies to Investors acquiring Shares as an investment. Investors should, however, consult their financial or other professional advisers on the possible tax or other consequences of buying, holding, transferring, switching, redeeming or otherwise dealing in the Company's Shares under the laws of their countries of citizenship, residence and domicile. This summary is subject to future changes.

#### Luxembourg Taxation

##### (A) Taxation of the Company

In Luxembourg, the Company is not subject to taxation on its income, profits or gains. The Company is not subject to net wealth tax.

No stamp duty, capital duty or other tax will be payable in Luxembourg upon the issue of the Shares of the Company.

The Company is subject to a subscription tax (*taxe d'abonnement*) levied at the rate of 0.05% *per annum* based on the Net Asset Value of the Company at the end of the relevant quarter, calculated and paid quarterly. A reduced subscription tax of 0.01% *per annum* of the net assets is applicable to the Funds whose exclusive object is the collective investment in money market instruments, the placing of deposits with credit institutions, or both. A reduced subscription tax of 0.01% *per annum* of the net assets is applicable to individual Funds or individual Share Classes, provided that such Fund or Share Class comprises only one or more institutional investors.

Subscription tax exemption applies to (i) investments in a Luxembourg UCIs subject itself to the subscription tax, (ii) UCIs, compartments thereof or dedicated classes reserved to retirement pension schemes, (iii) money market UCIs, and, (iv) UCITS and UCIs subject to the part II of the 2010 Law qualifying as exchange traded funds.

#### Withholding tax

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax in the source countries. The Company may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin, and provisions in this respect may be recognised in certain jurisdictions.

Distributions made by the Company are not subject to withholding tax in Luxembourg.

## **(B) Taxation of Shareholders**

### **Non Luxembourg resident Shareholders**

Non resident individuals or collective entities who do not have a permanent establishment in Luxembourg to which the Shares are attributable, are not subject to Luxembourg taxation on capital gains realized upon disposal of the Shares nor on the distribution received from the Company and the Shares will not be subject to net wealth tax.

### **US Foreign Account Tax Compliance Act 2010 (FATCA) and OECD Common Reporting Standard 2016 ("CRS")**

FATCA was enacted in the United States on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It includes provisions under which the Company as a Foreign Financial Institution ("FFI") may be required to report directly to the Internal Revenue Service ("IRS") certain information about shares held by US tax payers or other foreign entities subject to FATCA and to collect additional identification information for this purpose. Financial institutions that do not enter into an agreement with the IRS and comply with FATCA regime could be subject to 30% withholding tax on any payment of US source income as well as on the gross proceeds deriving from the sale of securities generating US income made to the Company. On 28 March 2014, the Grand-Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("IGA") with the United States of America and implemented the IGA into Luxembourg law in July 2015.

CRS has been implemented by Council Directive 2014/107/EU on the mandatory automatic exchange of tax information which was adopted on 9 December 2014 and implemented into Luxembourg law by the law of 18 December 2015 on the automatic exchange of financial account information in the field of taxation (the "CRS Law"). CRS became effective among most member states of the European Union on 1 January 2016. Under CRS, the Company may be required to report to the Luxembourg tax authority certain information about shares held by investors who are tax resident in a CRS participating country and to collect additional identification information for this purpose. Under the CRS Law, the first exchange of information will be applied by 30 September 2017 for information related to the calendar year 2016.

In order to comply with its FATCA and CRS obligations, the Company may be required to obtain certain information from its Investors so as to ascertain their tax status. Under the FATCA IGA referred to above, if the Investor is a specified person, such as a US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the Company will need to report information on these Investors to the Luxembourg tax authority, in accordance with applicable laws and regulations, which will in turn report this to the IRS. Under CRS, if the Investor is tax resident in a CRS participating country and does not provide the requisite documentation, the Company will need to report information on these Investors to the Luxembourg tax authority, in accordance with applicable laws and regulations. Provided that the Company acts in accordance with these provisions it will not be subject to withholding tax under FATCA.

Shareholders and intermediaries should note that it is the existing policy of the Company that Shares are not being offered or sold for the account of US Persons or Investors who do not provide the appropriate CRS information. Subsequent transfers of Shares to US Persons are prohibited. If Shares are beneficially owned by any US Person or a person who has not provided the appropriate CRS information, the Company may in its discretion compulsorily redeem such Shares. Shareholders should moreover note that under the FATCA legislation, the definition of specified persons will include a wider range of Investors compared to other legislation.

## **UK Taxation**

### **(A) The Company**

It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it will not become resident in the UK. Accordingly, and provided that the Company does not carry on a trade in the UK through a branch or agency situated therein, the Company will not be subject to UK corporation tax or income tax.

**(B) Shareholders****Offshore Funds Legislation**

Part 8 of the Taxation (International and Other Provisions) Act 2010 and Statutory Instrument 2009/3001 (the "Offshore Funds regulations") provide that if an investor who is resident or ordinarily resident in the UK for taxation purposes disposes of a holding in an offshore entity that constitutes an "offshore fund" and that offshore fund does not qualify as a "Reporting Fund" throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest (including a deemed disposal on death) will be taxed at the time of such sale, redemption or other disposal as income ("offshore income gains") and not as a capital gain. The Company is an "offshore fund" for the purpose of those provisions.

All Share Classes are managed with a view to them qualifying as Reporting Funds for taxation purposes, and accordingly any capital gain on disposal of Shares should not be reclassified as an income gain under the UK's offshore fund rules. A full list of reporting Share Classes is available from the Management Company on request. A list of Reporting Funds and their certification dates is published on the HM Revenue and Customs ("HMRC") website: <https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds>.

Under the Offshore Fund regulations, investors in Reporting Funds are subject to tax on their share of the Reporting Fund's income for an accounting period, whether or not the income is distributed to them. UK resident holders of Accumulation Shares should be aware that they will be required to account for and pay tax on income which has been reported to them in respect of their holding, on an annual basis through their tax return, even though such income has not been distributed to them.

For the avoidance of doubt, distributions which in accordance with 3.3 above have been reinvested in further Shares should be deemed for the purpose of UK tax as having been distributed to the Shareholders and subsequently reinvested by them, and accordingly should form part of the Shareholder's taxable income of the period in which the dividend is deemed to have been received.

In accordance with the Offshore Funds regulations, reportable income attributable to each Share Class will be published within 10 months of the end of the reporting period on the following Schroders website: <http://www.schroders.com/en/lu/professional-investor/fund-centre/fund-administration/income-tables/>.

It is the Investor's responsibility to calculate and report their respective total reportable income to HMRC based on the number of Shares held at the end of the reporting period. In addition to reportable income attributable to each Share Class the report will include information on amounts distributed per Share and the dates of distributions in respect of the reporting period. Shareholders with particular needs may request their report be provided in paper form, however we reserve the right to make a charge for this service.

Chapter 3 of Part 6 of the Corporation Tax Act 2009 provides that, if at any time in an accounting period a person within the charge of UK corporation tax holds an interest in an offshore fund within the meaning of the relevant provisions of the tax legislation, and there is a time in that period when that fund fails to meet the "qualifying investments test", the interest held by such a person will be treated for that accounting period as if it were rights under a creditor relationship for the purposes of the loan relationships regime. An offshore fund fails to meet the "qualifying investments test" at any time where more than 60% of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves meet the "qualifying investments test". The Shares will constitute interests in an offshore fund and on the basis of the investment policies of the Company, the Company could fail to meet the "qualifying investments test".

R Shares do not qualify as Reporting Funds for taxation purposes, and accordingly any capital gain on disposal of R Shares will be reclassified as an income gain under the UK's offshore fund rules and taxed accordingly.

**Stamp Taxes**

Transfers of Shares will not be liable to UK stamp duty unless the instrument of transfer is executed within the UK when the transfer will be liable to UK ad valorem stamp duty at the rate of 0.5% of the consideration paid rounded up to the nearest GBP 5. No UK stamp duty reserve tax is payable on transfers of Shares, or agreements to transfer Shares.

**Distributions**

Distributions paid by Funds that hold more than 60% of their assets in interest-bearing, or economically similar, form at any time in an accounting period are treated as a payment of annual interest for UK resident individual investors. Where Shares are held within an individual savings account ("ISA"), this income is free of tax. For Shares held outside an ISA, from 6 April 2016 a personal savings allowance is available to exempt the first GBP 1,000 of interest income from tax in the hands of basic rate taxpayers. The allowance is GBP 500 for higher rate taxpayers and nil for additional rate taxpayers. Total interest received in excess of the allowance in a tax year is subject to tax at the rates applying to interest (currently 20%, 40% and 45%). Before 6 April 2016, the distribution is fully subject to tax at these rates.

Distributions paid by Funds that have no more than 60% of their assets in interest-bearing form at all times in an accounting period are treated as foreign dividends. Up to 5 April 2016, these bear a non-payable dividend tax credit for UK resident individual investors.

Since 6 April 2016, the dividend tax credit has been withdrawn and replaced by a GBP5,000 tax-free dividend allowance. Where shares are held outside an ISA, total dividends received in a tax year up to that amount will be free of income tax. Dividends totalling in excess of that amount will be subject to tax at rates of 7.5%, 32.5% and 38.1% where they fall within the basic rate, higher rate and additional rate bands respectively. Dividends received on shares held within an ISA will continue to be tax-free. Please note, as announced in the Spring Budget 2017, the UK government will introduce legislation in Finance Bill 2017 to reduce the tax-free Dividend Allowance from £5,000 to £2,000 from 6 April 2018.

**Equalisation**

The Company operates full equalisation arrangements. Equalisation applies to shares purchased during a Distribution Period. The amount of income, calculated daily and included in the purchase price of all shares purchased part way through a distribution period is refunded to holders of these shares on a first distribution as a return of capital.

Being capital it is not liable to income tax and it should be excluded from the calculation of reportable income included in a UK Shareholder's tax return. The daily income element of all Shares is held on a database and is available upon request from the Company's registered office or online at <http://www.schroders.com/en/lu/professional-investor/fund-centre/fund-administration/equalisation/>

The aim of operating equalisation is to relieve new investors in the fund from the liability to tax on income already accrued in the shares they acquire. Equalisation will not affect Shareholders who own their shares for the whole of a Distribution Period.

**3.5. Meetings and Reports****Meetings**

In principle, the annual general meeting of Shareholders of the Company is held in Luxembourg on the third Tuesday of January in each year at 11:00 or, if such day is not a Business Day, on the next Business Day. Notices of all general meetings of Shareholders are sent by registered post at least eight days prior to the meeting. Such notices will include the agenda and specify the place of the meeting. The notice of any general meeting of Shareholders may provide that the quorum and the majority at this general meeting shall be determined according to the Shares issued and outstanding at a certain date and time preceding the general meeting (the "Record Date"). The right of a Shareholder to participate at a general meeting of Shareholders and to exercise voting rights attached to his/its/her Shares shall be determined by reference to the Shares held by this Shareholder as at the Record Date. Meetings of Shareholders of any given Fund or Share Class shall decide upon matters relating to that Fund or Share Class only.

## Reports

The financial year of the Company ends on 30 September each year. Copies of the annual, semi-annual and financial reports may be obtained on the Schroder Investment Management (Luxembourg) S.A. Internet site [www.schroders.lu](http://www.schroders.lu) and are available free of charge from the registered office of the Company. Such reports form an integral part of this Prospectus.

## 3.6. Details of Shares

### Shareholder rights

The Shares issued by the Company are freely transferable and entitled to participate equally in the profits, and in case of Distribution Shares, dividends of the Share Classes to which they relate, and in the net assets of such Share Class upon liquidation. The Shares carry no preferential and pre-emptive rights. There are no preferential treatments of Shareholders, Shareholders rights are those described in this Prospectus and the Articles. All Shareholders subscribe to the Shares of the Fund under the same terms.

### Voting

At general meetings, each Shareholder has the right to one vote for each whole Share held.

A Shareholder of any particular Fund or Share Class will be entitled at any separate meeting of the Shareholders of that Fund or Share Class to one vote for each whole Share of that Fund or Share Class held.

In the case of a joint holding, only the first named Shareholder may vote.

### Compulsory redemption

The Directors may impose or relax restrictions on any Shares and, if necessary, require redemption of Shares to ensure that Shares are neither acquired nor held by or on behalf of any person in breach of the law or requirements of any country or government or regulatory authority or which might have adverse taxation or other pecuniary consequences for the Company including a requirement to register under the laws and regulations of any country or authority. The Directors may in this connection require a Shareholder to provide such information as they may consider necessary to establish whether the Shareholder is the beneficial owner of the Shares which they hold.

If it shall come to the attention of the Directors at any time that Shares are beneficially owned by a US Person, or a specified person for the purposes of FATCA, the Company will have the right compulsorily to redeem such Shares.

### Transfers

The transfer of registered Shares may be effected by delivery to the Management Company of a duly signed stock transfer form. Any new investors in receipt of stock transfers need to comply with Section 2.1 under Subscription for Shares.

### Rights on a winding-up

The Company has been established for an unlimited period. However, the Company may be liquidated at any time by a resolution adopted by an extraordinary general meeting of Shareholders, at which meeting one or several liquidators will be named and their powers defined. Liquidation will be carried out in accordance with the provisions of Luxembourg law. The net proceeds of liquidation corresponding to each Fund shall be distributed by the liquidators to the Shareholders of the relevant Fund in proportion to the value of their holding of Shares.

The Directors may, subject to regulatory approval decide to redeem, liquidate, reorganise or contribute all the Shares in a Fund into another Fund of the Company or into another UCI if and when the net assets of all Share Classes in a Fund are less than EUR 50,000,000 or its equivalent in another currency, or in the case of a Share Class, such Share Class falls below the amount of EUR 10,000,000 or its equivalent in another currency, or such other amounts as may be determined by the Directors from time to time to be the minimum level for assets of such Fund to be operated in an economically efficient manner or if any economic or political situation would constitute a compelling reason therefor, or if required in the interest of the Shareholders of the relevant Fund. In



any such event Shareholders will be notified by a notice published by the Company in accordance with applicable Luxembourg laws and regulations prior to compulsory redemption, liquidation or contribution to another Fund or to another UCIs and, in the case of a compulsory redemption, will be paid the Net Asset Value of the Shares of the relevant Share Class held as at the redemption date.

In case of contribution to another UCIs of the mutual fund type, the merger will be binding only on Shareholders of the relevant Fund who will expressly agree to the merger.

Under the same circumstances as described above, subject to regulatory approval the Directors may also decide upon the reorganisation of any Fund by means of a division into two or more separate Funds. Such decision will be published in the same manner as described above and, in addition, the publication will contain information in relation to the two or more separate Funds resulting from the reorganisation.

The decision to merge, liquidate or reorganise a Fund may also be taken at a meeting of Shareholders of the particular Fund concerned.

Any liquidation proceeds not claimed by the Shareholders at the close of the liquidation of a Fund will be deposited in escrow at the "Caisse de Consignation". Amounts not claimed from escrow within the period fixed by law may be liable to be forfeited in accordance with the provisions of Luxembourg law.

### Information

As required by the AIFM Rules and more particularly Article 21 of the 2013 Law, and if applicable, the following information will be periodically provided to Shareholders by means of disclosure in the annual and half-yearly reports of the Company or, if the materiality so justifies, notified to Shareholders separately:

- the percentage of the Funds' assets which are subject to special arrangements arising from their illiquid nature;
- any new arrangements for managing liquidity of the Funds, whether or not these are special arrangements, including any changes to the liquidity management systems and procedures referred to in article 16 (1) of the AIFMD and as specified in the "Liquidity risk management" part of the "Leverage" section set out in Appendix III which are material in accordance with article 106(1) of the AIFM Regulation;
- the current risk profile of the Funds and the risk management system employed by the Management Company to manage those risks;
- any changes to the maximum level of leverage which the Management Company may employ on behalf of the Funds as well as any right of the reuse of collateral or any guarantee granted under any leveraging arrangement;
- the total amount of leverage employed by the Funds;

Should the Management Company activate any gates, side pockets or similar special arrangements or where the Management Company decides to suspend redemptions, the Company shall immediately notify affected Shareholders as set out in section "2.5 Suspensions or Deferrals" of the Prospectus. Any change to the liability arrangements agreed with the Depositary for any discharge of liability shall also be notified without delay to the Shareholders to the extent required by, and in accordance with, applicable laws and regulations.

The Management Company will also make available upon request at its registered office all information to be provided to investors under the 2013 Law, including: (i) all relevant information regarding conflicts of interest (such as the description of any conflict of interest that may arise from any delegation of the functions listed in Appendix I of the 2013 Law or of any conflicts that must be communicated to investors under Articles 13.1 and 13.2 of the 2013 Law), (ii) the maximum amount of the fees that may be paid annually by the Funds, (iii) the way chosen to cover potential liability risks resulting from its activities under the 2013 Law, and (iv) any collateral and asset reuse arrangements, including any right to reuse collateral and guarantees granted under the leveraging agreement (v) information on any preferential treatment granted to certain Shareholders and (vi) the risk profile of each Fund. The list of the sub-custodians used by the Depositary will be made available upon receipt at the registered office of the Management Company.

### 3.7. Pooling

For the purpose of effective management, and subject to the provisions of the Articles and to applicable laws and regulations, the Management Company may invest and manage all or any part of the portfolio of assets established for two or more Funds (for the purposes hereof "Participating Funds") on a pooled basis. Any such asset pool shall be formed by transferring to it cash or other assets (subject to such assets being appropriate with respect to the investment policy of the pool concerned) from each of the Participating Funds. Thereafter, the Management Company may from time to time make further transfers to each asset pool. Assets may also be transferred back to a Participating Fund up to the amount of the participation of the Share Class concerned. The share of a Participating Fund in an asset pool shall be measured by reference to notional units of equal value in the asset pool. On formation of an asset pool, the Management Company shall, in its discretion, determine the initial value of notional units (which shall be expressed in such currency as the Management Company considers appropriate) and shall allocate to each Participating Fund units having an aggregate value equal to the amount of cash (or to the value of other assets) contributed. Thereafter, the value of the notional unit shall be determined by dividing the Net Asset Value of the asset pool by the number of notional units subsisting.

When additional cash or assets are contributed to or withdrawn from an asset pool, the allocation of units of the Participating Fund concerned will be increased or reduced, as the case may be, by a number of units determined by dividing the amount of cash or the value of assets contributed or withdrawn by the current value of a unit. Where a contribution is made in cash, it will be treated for the purpose of this calculation as reduced by an amount which the Management Company considers appropriate to reflect fiscal charges and dealing and purchase costs which may be incurred in investing the cash concerned; in the case of cash withdrawal, a corresponding addition will be made to reflect costs which may be incurred in realising securities or other assets of the asset pool.

Dividends, interest and other distributions of an income nature received in respect of the assets in an asset pool will be immediately credited to the Participating Funds in proportion to their respective participation in the asset pool at the time of receipt. Upon the dissolution of the Company, the assets in an asset pool will be allocated to the Participating Funds in proportion to their respective participation in the asset pool.

### 3.8. Co-Management

In order to reduce operational and administrative charges while allowing a wider diversification of the investments, the Directors may decide that part or all of the assets of one or more Funds will be co-managed with assets belonging to other Luxembourg collective investment schemes. In the following paragraphs, the words "co-managed entities" shall refer globally to the Funds and all entities with and between which there would exist any given co-management arrangement and the words "co-managed Assets" shall refer to the entire assets of these co-managed entities and co-managed pursuant to the same co-management arrangement.

Under the co-management arrangement, the Investment Manager, if appointed and granted the day-to-day management will be entitled to take, on a consolidated basis for the relevant co-managed entities, investment, disinvestment and portfolio readjustment decisions which will influence the composition of the relevant Fund's portfolio. Each co-managed entity shall hold a portion of the co-managed Assets corresponding to the proportion of its net assets to the total value of the co-managed Assets. This proportional holding shall be applicable to each and every line of investment held or acquired under co-management. In case of investment and/or disinvestment decisions these proportions shall not be affected and additional investments shall be allotted to the co-managed entities pursuant to the same proportion and assets sold shall be levied proportionately on the co-managed Assets held by each co-managed entity.

In case of new subscriptions in one of the co-managed entities, the subscription proceeds shall be allotted to the co-managed entities pursuant to the modified proportions resulting from the net asset increase of the co-managed entity which has benefited from the subscriptions and all lines of investment shall be modified by a transfer of assets from one co-managed entity to the other in order to be adjusted to the modified proportions. In a similar manner, in case of redemptions in one of the co-managed entities, the cash required may be levied on the cash held by the co-managed entities pursuant to the modified proportions resulting from the net asset reduction of the co-managed entity which has suffered from the redemptions and, in such case, all lines of

investment shall be adjusted to the modified proportions. Shareholders should be aware that, in the absence of any specific action by the Directors or any of the Company's appointed agents, the co-management arrangement may cause the composition of assets of the relevant Fund to be influenced by events attributable to other co-managed entities such as subscriptions and redemptions. Thus, all other things being equal, subscriptions received in one entity with which the Fund is co-managed will lead to an increase of the Fund's reserve of cash.

Conversely, redemptions made in one entity with which any Fund is co-managed will lead to a reduction of the Fund's reserve of cash. Subscriptions and redemptions may however be kept in the specific account opened for each co-managed entity outside the co-management arrangement and through which subscriptions and redemptions must pass. The possibility to allocate substantial subscriptions and redemptions to these specific accounts together with the possibility for the Directors or any of the Company's appointed agents to decide at anytime to terminate its participation in the co-management arrangement permit the relevant Fund to avoid the readjustments of its portfolio if these readjustments are likely to affect the interest of its Shareholders.

If a modification of the composition of the relevant Fund's portfolio resulting from redemptions or payments of charges and expenses peculiar to another co-managed entity (i.e. not attributable to the Fund) is likely to result in a breach of the investment restrictions applicable to the relevant Fund, the relevant assets shall be excluded from the co-management arrangement before the implementation of the modification in order for it not to be affected by the ensuing adjustments.

Co-managed Assets of the Funds shall, as the case may be, only be co-managed with assets intended to be invested pursuant to investment objectives identical to those applicable to the co-managed Assets in order to assure that investment decisions are fully compatible with the investment policy of the relevant Fund. Co-managed Assets shall only be co-managed with assets for which the Depositary is also acting as depositary in order to assure that the Depositary is able, with respect to the Company and its Funds, to fully carry out its functions and responsibilities pursuant to the Regulations. The Depositary shall at all times keep the Company's assets segregated from the assets of other co-managed entities, and shall therefore be able at all time to identify the assets of the Company and of each Fund. Since co-managed entities may have investment policies which are not strictly identical to the investment policy of the relevant Funds, it is possible that as a result the common policy implemented may be more restrictive than that of the Funds concerned.

A co-management agreement shall be signed between the Company, the Depositary and the Investment Managers in order to define each of the parties' rights and obligations. The Directors may decide at any time and without notice to terminate the co-management arrangement.

Shareholders may at all times contact the registered office of the Company to be informed of the percentage of assets which are co-managed and of the entities with which there is such a co-management arrangement at the time of their request. Audited annual and half-yearly reports shall state the co-managed Assets' composition and percentages.

### **3.9. Benchmarks Regulation**

Unless otherwise disclosed in this Prospectus, the indices or benchmarks used within the meaning of the Regulation (EU) 2016/1011 (the 'Benchmark Regulation') by the Funds are, as at the date of this Prospectus, provided by benchmark administrators who benefit from the transitional arrangements afforded under the Benchmark Regulation and accordingly may not appear yet on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. These benchmark administrators should apply for authorisation or registration as an administrator under Benchmark Regulation before 1 January 2020. Updated information on this register should be available no later than 1 January 2020. [The Management Company maintains written plans setting out the actions that will be taken in the event of the benchmark materially changing or ceasing to be provided. Copies of a description of these plans are available upon request and free of charge from the registered office of the Management Company.

# Appendix I

## Investment and Borrowing Restrictions

The Funds must ensure an adequate spread of investment risks by sufficient diversification and compliance with the percentage limits set out below.

The investment restrictions applicable to the Funds are as follows (expressed as a percentage of their Net Asset Value):

- (A) Restrictions on the use of Commodity Linked Derivatives and other Derivative Financial Instruments
- (1) Derivative financial instruments must be dealt on an organised market or contracted by private agreement with first class professionals specialised in these types of transactions.
  - (2) Margin deposits in relation to derivative financial instruments dealt on an organised market, premiums paid for the acquisition of options outstanding as well as the commitments arising from derivative financial instruments contracted by private agreement may not exceed, in aggregate, one third of the Net Asset Value. The commitment in relation to a transaction on a derivative financial instrument entered into by private agreement by the Funds corresponds to any non-realised loss resulting, at that time, from the relevant transaction.
  - (3) The Funds must maintain a reserve of liquid assets in an amount at least equal to the margin deposits made by the Funds but never less than 30% of the Net Asset Value for Agriculture Fund, Commodity Fund and Commodity Total Return Fund. Liquid assets do not only comprise time deposits and regularly negotiated money market instruments the remaining maturity of which is less than 12 months, but also treasury bills and bonds issued by OECD member countries or their local authorities or by supranational institutions and organisations with European, regional or worldwide scope as well as bonds listed on a stock exchange or dealt on a Regulated Market, which operates regularly and is open to the public, issued by first class issuers and being highly liquid.
  - (4) The Funds may not hold an open position in a single contract relating to a derivative financial instrument dealt on an organised market or a single contract relating to a derivative financial instrument entered into by private agreement for which the margin required or the commitment taken, respectively, represents 5% or more of the Net Asset Value.
  - (5) Premiums paid to acquire options outstanding having identical characteristics may not exceed 5% of the Net Asset Value.
  - (6) The Funds may not hold an open position in derivative financial instruments relating to a single commodity or a single category of forward contracts on financial instruments for which the margin required (in relation to derivative financial instruments negotiated on an organised market) together with the commitment (in relation to derivative financial instruments entered into by private agreement) represent 20% or more of the Net Asset Value.
  - (7) Each Fund may invest in financial derivative instruments that are traded OTC including, without limitation, total return swaps, contracts for difference or other financial derivative instruments with similar characteristics, in accordance with the conditions set out in Appendix I and the investment objective and policy of each Fund. Such OTC derivatives, to the extent capable of being held in custody, shall be safe kept by the Depositary.

A total return swap is an agreement in which one party (total return payer) transfers the total economic performance of a reference obligation to the other party (total return receiver). Total economic performance includes income from interest and fees, gains or losses from market movements, and credit losses.

Total return swaps entered into by a Fund may be in the form of funded and/or unfunded swaps. An unfunded swap means a swap where no upfront payment is made by the total return receiver at inception. A funded swap means a swap where the total return receiver pays an upfront amount in return for the total return of the reference asset and can therefore be costlier due to the upfront payment requirement.

All revenue arising from total return swaps, net of direct and indirect operational costs and fees, will be returned to each Fund.

- (8) A Fund may enter into agreements on OTC derivatives. The counterparties to any OTC financial derivative transactions, such as total return swaps, contracts for difference or other financial derivative instruments with similar characteristics, entered into by a Fund, are selected from a list of counterparties approved by the Management Company. The counterparties will be institutions which are either credit institutions with a registered office in an EU member state or investment firms, which are authorised under the MiFID directive or an equivalent set of rules or are recognised financial institutions and subject to prudential supervision, with, at trade inception, a rating of at least BBB/Baa2 or its equivalent for global or domestic Systemically Important Financial Institutions (SIFI) or at least A- or its equivalent if not SIFI. The counterparties will have no discretion over the composition or management of the relevant Fund's portfolio or over the underlying of the financial derivative instruments. The list of approved counterparties may be amended by the Management Company. The identity of the counterparties will be disclosed in the annual report of the Company.

(B) Restrictions on Investments in Securities

- (1) The Funds may not invest more than 10% of their Net Asset Value in securities which are not quoted on a stock exchange or dealt on another Regulated Market, which operates regularly and is recognised and open to the public,
- (2) The Funds may not acquire more than 10% of the securities of the same nature issued by the same issuer,
- (3) The Funds may not invest more than 20% of their Net Asset Value in securities issued by the same issuer.

The restrictions set forth under (1), (2) and (3) above are not applicable to securities issued or guaranteed by a member state of the OECD or by its local authority or by supranational institutions and organisations with European, regional or worldwide scope.

**Where any Fund has invested in accordance with the principle of risk spreading in transferable securities or money market instruments issued or guaranteed by an EU member state, by its local authorities or by a non-Member State of the European Union or by public international bodies of which one or more EU member states are members, the Company may invest 100% of the Net Asset Value of any Fund in such securities from at least six different issues and the value of securities from any one issue must not account for more than 30% of the Net Asset Value of the Fund.**

(C) Restrictions on Investments in open-ended Collective Investment Schemes

The Funds may not invest more than 10% of their net assets in units of UCITS or other UCIs.

When a Fund invests in the units of other UCITS and/or other UCIs linked to the Company by common management or control, or by a substantial direct or indirect holding of more than 10% of the capital or the voting rights, or managed by a management company linked to the Investment Manager, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or UCIs.

In respect of a Fund's investments in UCITS and other UCIs linked to the Company as described in the preceding paragraph, there shall be no management fee charged to that portion of the assets of the relevant Fund. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the UCITS and other UCIs in which such Fund has invested during the relevant period.

A Fund (the "Investing Fund") may subscribe, acquire and/or hold securities to be issued or issued by one or more Funds (each, a "Target Fund") without the Company being subject to the requirements of the Law of 10 August 1915 on commercial companies, as amended, with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the condition however that:

- (1) the Target Fund(s) do(es) not, in turn, invest in the Investing Fund invested in this (these) Target Fund(s); and

- (2) no more than 10% of the assets that the Target Fund(s) whose acquisition is contemplated may be invested in units of other Target Funds; and
  - (3) voting rights, if any, attaching to the Shares of the Target Fund(s) are suspended for as long as they are held by the Investing Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
  - (4) in any event, for as long as these securities are held by the Investing Fund, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the 2010 Law.
- (D) Restrictions on Currency Hedging
- The Funds may for the purposes of hedging currency risks have outstanding commitments in respect of forward currency contracts, currency futures or currency swap agreements or currency options (sales of call options or purchases of put options) provided that the Funds may use currency contracts for the purpose of hedging provided that traded positions do not materially exceed the level necessary to cover the risk of a particular currency exposure.
- The Funds may also use forward currency contracts to hedge back to investment currencies those investments which are made temporarily in other currencies, if for market reasons the Funds have decided to discontinue temporarily investments denominated in such currency. Similarly, the Funds may hedge through forward contracts or currency options the currency exposure of contemplated investments to be made in investment currencies, provided that these contracts are covered by assets denominated in the currency to be disposed of.
- (E) Borrowing
- The Funds may not borrow other than amounts which do not in aggregate exceed 10% of their Net Asset Value, and then only as a temporary measure. The Funds may not borrow to finance margin deposits. For the purpose of this restriction back to back loans are not considered to be borrowings.
- (F) Securities and Cash Lending
- The Funds will not engage in securities or cash lending transactions where the Funds act as the lender of such securities or cash.
- (G) Repurchase Agreements
- The Funds will not enter into any repurchase agreements or reverse repurchase agreements.
- Should any Fund use such techniques and instruments defined under items "Securities and Cash Lending" and "Repurchase Agreements" in the future, the Company will comply with the applicable regulations and in particular Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse (the "SFT Regulation") and all the information required by the SFT Regulation will be available upon request at the registered office of the Company. The Prospectus will be updated prior to the use of any such techniques and instruments.
- As the date of this Prospectus and unless otherwise provided in each Fund's details in Appendix III, the Funds may enter into total return swaps.
- (H) Short Selling
- The Funds will only engage in short selling of investments through the use of derivatives.
- (I) Underwriting
- The Company may acquire securities in which it is permitted to invest in pursuit of its investment objective and policy through underwriting or sub-underwriting.
- (J) Japanese investment restrictions
- To accommodate the potential investment of Japanese investors more than 50% of the value of the assets of each Fund, with the exception of Schroder Alternative Solutions UK Dynamic Absolute Return Fund and Schroder Alternative Solutions Asian Long Term Value Fund, must consist of "securities (yuka shoken)" (as defined

in the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948 as amended) or any successor regulation of Japan) (except for those rights regarded as securities by each Item of Paragraph 2 of Article 2 of the 2010 Law, but including the securities-related derivative transactions as prescribed by Item 6 of Paragraph 8 of Article 28, the same applies hereinafter) and so as long as any assets of any Investor are being invested in any Shares, the Investment Manager shall manage each Fund available to any Investors so that at any time more than 50% of the value of such Fund will consist of such "securities".

While ensuring observance of the principle of risk spreading across issuers, asset classes, and commodity sectors, the Funds may derogate from the diversification restrictions above for a period of six months following the date of the first NAV calculation.

If the percentage limitations set out above are exceeded for reasons beyond the control of the Funds, or for any reasons whatsoever, the investments must be brought back within the designated percentage limits within a reasonable period, taking due account of the Shareholders' interests.

(K) Management of Collateral

Collateral received for the benefit of a Fund may be used to reduce its counterparty risk exposure if it complies with the conditions set out in applicable laws and regulations. Where a Fund enters into OTC financial derivative transactions and efficient portfolio management techniques, all collateral used to reduce counterparty risk exposure shall comply with the following criteria at all times:

- (1) Any collateral received other than cash shall be of high quality, highly liquid and traded on a Regulated Market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation.
- (2) Collateral received shall be valued in accordance with the rules described under the section "Calculation of Net Asset Value" on at least a daily basis. Assets that exhibit high price volatility shall not be accepted as collateral unless suitably conservative haircuts are in place.
- (3) Collateral received shall be of high quality.
- (4) The collateral received shall be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- (5) Collateral shall be sufficiently diversified in terms of country, markets and issuers.
- (6) Where there is a title transfer, the collateral received shall be held by the Depositary or one of its sub-custodians to which the Depositary has delegated the custody of such collateral. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- (7) Collateral received shall be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.
- (8) Subject to the above conditions, permitted forms of collateral include:
  - (I) cash and cash equivalents, including short-term bank certificates and money market instruments;
  - (II) government bonds with any maturity issued by countries including but not limited to the UK, the United States, France and Germany with no minimum rating.

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate haircuts which will be determined for each asset class based on the haircut policy adopted by the Management Company.

- (1) Non-cash collateral received shall not be sold, re-invested or pledged.
- (2) Cash collateral that isn't received on behalf of currency hedged Share Classes shall only be:

- (I) placed on deposit with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is an EU member state or, if the registered office of the credit institution is situated in a non-EU member state, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;
- (II) invested in high-quality government bonds;
- (III) used for the purpose of reverse repurchase transactions provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on accrued basis;
- (IV) invested in short-term money market funds as defined in the "Guidelines on a Common Definition of European Money Market Funds".

Re-invested cash collateral shall be diversified in accordance with the diversification requirements applicable to non-cash collateral as set out above. Re-investment of cash collateral involves certain risks for a Fund, as described in Appendix II.22.



# Appendix II

## Risks of Investment

### 1. General Risks

Past performance is not a guide to future performance and Shares, other than Shares of liquidity Funds, if any, should be regarded as a medium to long-term investment. The value of investments and the income generated by them may go down as well as up and Shareholders may not get back the amount originally invested. Where the currency of a Fund varies from the investor's home currency, or where the currency of a Fund varies from the currencies of the markets in which the Fund invests, there is the prospect of additional loss (or the prospect of additional gain) to the investor greater than the usual risks of investment.

### 2. Investment Objective Risk

Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult or even impossible to achieve. There is no express or implied assurance as to the likelihood of achieving the investment objective for a Fund.

### 3. Regulatory Risk

The Company is domiciled in Luxembourg and Investors should note that all the regulatory protections provided by their local regulatory authorities may not apply. Additionally the Funds will be registered in non-EU jurisdictions. As a result of such registrations the Funds may be subject, without any notice to the Shareholders in the Funds concerned, to more restrictive regulatory regimes. In such cases the Funds will abide by these more restrictive requirements. This may prevent the Funds from making the fullest possible use of the investment limits.

### 4. Business, Legal and Tax Risks

In some jurisdictions the interpretation and implementation of laws and regulations and the enforcement of Shareholders' rights under such laws and regulations may involve significant uncertainties. Furthermore, there may be differences between accounting and auditing standards, reporting practices and disclosure requirements and those generally accepted internationally. Some of the Funds may be subject to withholding and other taxes. Tax law and regulations of any jurisdiction are frequently reviewed and may be changed at any time, in certain cases with retrospective effect. The interpretation and applicability of tax law and regulations by tax authorities in some jurisdictions are not consistent and transparent and may vary from jurisdiction to jurisdiction and/or region to region. Any change in taxation legislation could affect the value of the investments held by and the performance of the Fund.

### 5. Risk Factors Relating to Industry Sectors / Geographic Areas

Funds that focus on a particular industry or geographic area are subject to the risk factors and market factors which affect this particular industry or geographic area, including legislative changes, changes in general economic conditions and increased competitive forces. This may result in a greater volatility of the Net Asset Value of the Shares of the relevant Fund. Additional risks may include greater social and political uncertainty and instability and natural disasters.

### 6. Risk of Suspension of Share Dealings

Investors are reminded that in certain circumstances their right to redeem or switch Shares may be suspended (see Section 2.5, "Suspensions or Deferrals").

### 7. Interest Rate Risk

The values of bonds and other debt instruments usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the values of existing debt instruments, and rising interest rates generally reduce the value of existing debt instruments. Interest rate risk is generally greater for investments with long durations or maturities. Some investments give the issuer the option to call or redeem an investment before its maturity date. If an issuer calls or redeems an investment during a time of declining interest rates, a Fund might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates.

### 8. Credit Risk

The ability, or perceived ability, of an issuer of a debt security to make timely payments of interest and principal on the security will affect the value of the security. It is possible that the ability of the issuer to meet its obligation will decline substantially during the period when a Fund owns securities of that issuer, or that the issuer will default on its obligations. An actual or perceived deterioration in the ability of an issuer to meet its obligations will likely have an adverse effect on the value of the issuer's securities.

If a security has been rated by more than one nationally recognised statistical rating organisation the Fund's Investment Manager may consider the highest rating for the purposes of determining whether the security is investment grade. A Fund will not

necessarily dispose of a security held by it if its rating falls below investment grade, although the Fund's Investment Manager will consider whether the security continues to be an appropriate investment for the Fund. A Fund's Investment Manager considers whether a security is investment grade only at the time of purchase. Some of the Funds will invest in securities which will not be rated by a nationally recognised statistical rating organisation, but the credit quality will be determined by the Investment Manager.

Credit risk is generally greater for investments issued at less than their face values and required to make interest payments only at maturity rather than at intervals during the life of the investment. Credit rating agencies base their ratings largely on the issuer's historical financial condition and the rating agencies' investment analysis at the time of rating. The rating assigned to any particular investment does not necessarily reflect the issuer's current financial condition, and does not reflect an assessment of an investment's volatility and liquidity. Although investment grade investments generally have lower credit risk than investments rated below investment grade, they may share some of the risks of lower-rated investments, including the possibility that the issuers may be unable to make timely payments of interest and principal and thus default.

## **9. Liquidity Risk**

Liquidity risk exists when particular investments are difficult to purchase or sell. A Fund's investment in illiquid securities may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price. Investments in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and difficult to value.

## **10. Inflation/Deflation Risk**

Inflation is the risk that a Fund's assets or income from a Fund's investments may be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of a Fund's portfolio could decline. Deflation risk is the risk that prices throughout the economy may decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a Fund's portfolio.

## **11. Financial Derivative Instrument Risk**

For a Fund that uses financial derivative instruments to meet its specific investment objective, there is no guarantee that the performance of the financial derivative instruments will result in a positive effect for the Fund and its Shareholders.

Each Fund may incur costs and fees in connection with total return swaps, contracts for difference or other financial derivative instruments with similar characteristics, upon entering into these instruments and/or any increase or decrease of their notional amount. The amount of these fees may be fixed or variable. Information on costs and fees incurred by each Fund in this respect, as well as the identity of the recipients and any affiliation they may have with the Depositary, the Investment Manager or the Management Company, if applicable, may be available in the annual report.

## **12. Warrants Risk**

When a Fund invests in warrants, the price, performance and liquidity of such warrants are typically linked to the underlying stock. However, the price, performance and liquidity of such warrants will generally fluctuate more than the underlying securities because of the greater volatility of the warrants market. In addition to the market risk related to the volatility of warrants, a Fund investing in synthetic warrants, where the issuer of the synthetic warrant is different to that of the underlying stock, is subject to the risk that the issuer of the synthetic warrant will not perform its obligations under the transactions which may result in the Fund, and ultimately its Shareholders, suffering a loss.

## **13. Credit Default Swap Risk**

A credit default swap allows the transfer of default risk. This allows a Fund to effectively buy insurance on a reference obligation it holds (hedging the investment), or buy protection on a reference obligation it does not physically own in the expectation that the credit will decline in quality. One party, the protection buyer, makes a stream of payments to the seller of the protection, and a payment is due to the buyer if there is a credit event (a decline in credit quality, which will be predefined in the agreement between the parties). If the credit event does not occur the buyer pays all the required premiums and the swap terminates on maturity with no further payments. The risk of the buyer is therefore limited to the value of the premiums paid. In addition, if there is a credit event and the Fund does not hold the underlying reference obligation, there may be a market risk as the Fund may need time to obtain the reference obligation and deliver it to the counterparty. Furthermore, if the counterparty becomes insolvent, the Fund may not recover the full amount due to it from the counterparty. The market for credit default

swaps may sometimes be more illiquid than the bond markets. The Company will mitigate this risk by monitoring in an appropriate manner the use of this type of transaction.

#### **14. Futures, Options and Forward Transactions Risk**

A Fund may use options, futures and forward contracts on currencies, securities, indices, volatility, inflation and interest rates for hedging and investment purposes.

Transactions in futures may carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the Fund. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options may also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the Fund is fixed, the Fund may sustain a loss well in excess of that amount. The Fund will also be exposed to the risk of the purchaser exercising the option and the Fund will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the Fund holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

Forward transactions and purchasing options, in particular those traded over-the-counter and not cleared through a central counterparty, have an increased counterparty risk. If a counterparty defaults, the Fund may not get the expected payment or delivery of assets. This may result in the loss of the unrealised profit.

#### **15. Credit Linked Note Risk**

A credit linked note is a debt instrument which assumes both credit risk of the relevant reference entity (or entities) and the issuer of the credit linked note. There is also a risk associated with the coupon payment; if a reference entity in a basket of credit linked notes suffers a credit event, the coupon will be re-set and is paid on the reduced nominal amount. Both the residual capital and coupon are exposed to further credit events. In extreme cases, the entire capital may be lost. There is also the risk that a note issuer may default.

#### **16. Equity Linked Note Risk**

The return component of an equity linked note is based on the performance of a single security, a basket of securities or an equity index. Investment in these instruments may cause a capital loss if the value of the underlying security decreases. In extreme cases the entire capital may be lost. These risks are also found in investing in equity investments directly. The return payable for the note is determined at a specified time on a valuation date, irrespective of the fluctuations in the underlying stock price. There is no guarantee that a return or yield on an investment will be made. There is also the risk that a note issuer may default.

A Fund may use equity linked notes to gain access to certain markets, for example emerging and less developed markets, where direct investment is not possible. This approach may result in the following additional risks being incurred – lack of a secondary market in such instruments, illiquidity of the underlying securities, and difficulty selling these instruments at times when the underlying markets are closed.

#### **17. General Risk associated with OTC Transactions**

Instruments traded in OTC markets may trade in smaller volumes, and their prices may be more volatile than instruments principally traded on exchanges. Such instruments may be less liquid than more widely traded instruments. In addition, the prices of such instruments may include an undisclosed dealer mark-up which a Fund may pay as part of the purchase price.

In general, there is less government regulation and supervision of transactions in OTC markets than of transactions entered into on organised exchanges. OTC derivatives are executed directly with the counterparty rather than through a recognised exchange and clearing house. Counterparties to OTC derivatives are not afforded the same protections as may apply to those trading on recognised exchanges, such as the performance guarantee of a clearing house.

The principal risk when engaging in OTC derivatives (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a

Fund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not bona fide) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Fund. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to the Fund.

A Fund may enter into OTC derivatives cleared through a clearinghouse that serves as a central counterparty. Central clearing is designed to reduce counterparty risk and increase liquidity compared to bilaterally-cleared OTC derivatives, but it does not eliminate those risks completely. The central counterparty will require margin from the clearing broker which will in turn require margin from the Fund. There is a risk of loss by a Fund of its initial and variation margin deposits in the event of default of the clearing broker with which the Fund has an open position or if margin is not identified and correctly report to the particular -Fund, in particular where margin is held in an omnibus account maintained by the clearing broker with the central counterparty. In the event that the clearing broker becomes insolvent, the Fund may not be able to transfer or "port" its positions to another clearing broker.

EU Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation, or "EMIR"), which came into force on 16 August 2012, introduces uniform requirements in respect of OTC derivative transactions by requiring certain "eligible" OTC derivatives transactions to be submitted for clearing to regulated central clearing counterparties and by mandating the reporting of certain details of derivatives transactions to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty credit risk in respect of OTC derivatives contracts which are not subject to mandatory clearing. These requirements include the exchange of margin and, where initial margin is exchanged, its segregation by the parties, including by the Company.

While many of the obligations under EMIR have come into force, as at the date of this Prospectus the requirement to submit certain OTC derivative transactions to central clearing counterparties ("CCPs") and the margin requirements for non-cleared OTC derivative transactions are subject to a staggered implementation timeline. It is not yet fully clear how the OTC derivatives market will adapt to the new regulatory regime. Accordingly, it is difficult to predict the full impact of EMIR on the Company, which may include an increase in the overall costs of entering into and maintaining OTC derivatives contracts. Prospective Investors and Shareholders should be aware that the regulatory changes arising from EMIR and other similar regulations such as the Dodd-Frank Wall Street Reform and Consumer Protection Act may in due course adversely affect a Fund's ability to adhere to its investment policy and achieve its investment objective.

Investors should be aware that the regulatory changes arising from EMIR and other applicable laws requiring central clearing of OTC derivatives may in due course adversely affect the ability of the Funds to adhere to their respective investment policies and achieve their investment objective.

Investments in OTC derivatives may be subject to the risk of differing valuations arising out of different permitted valuation methods. Although the Company has implemented appropriate valuation procedures to determine and verify the value of OTC derivatives, certain transactions are complex and valuation may only be provided by a limited number of market participants who may also be acting as the counterparty to the transactions. Inaccurate valuation can result in inaccurate recognition of gains or losses and counterparty exposure.

Unlike exchange-traded derivatives, which are standardised with respect to their terms and conditions, OTC derivatives are generally established through negotiation with the other party to the instrument. While this type of arrangement allows greater flexibility to tailor the instrument to the needs of the parties, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if the agreement is deemed not to be legally enforceable or not documented correctly. There also may be a legal or documentation risk that the parties may disagree as to the proper interpretation of the terms of the agreement. However, these risks are generally mitigated, to a certain extent, by the use of industry-standard agreements such as those published by the International Swaps and Derivatives Association (ISDA).

## 18. Counterparty Risk

The Company conducts transactions through or with brokers, clearing houses, market counterparties and other agents. The Company will be subject to the risk of the inability of any such counterparty to perform its obligations, whether due to insolvency, bankruptcy or other causes.

A Fund may invest in instruments such as notes, bonds or warrants the performance of which is linked to a market or investment to which the Fund seeks to be exposed. Such instruments are issued by a range of counterparties and through its investment the Fund will be subject to the counterparty risk of the issuer, in addition to the investment exposure it seeks.

## 19. OTC Derivative Clearing Risk

A Fund's OTC derivative transactions may be cleared prior to the date on which the mandatory clearing obligation takes effect under EMIR in order to take advantage of pricing and other potential benefits. OTC derivative transactions may be cleared under the "agency" model or the "principal-to-principal" model. Under the principal-to-principal model there is usually one transaction between the Fund and its clearing broker and another back-to-back transaction between the clearing broker and the CCP whereas under the agency model there is one transaction between the Fund and the CCP. It is expected that many of a Fund's OTC derivative transactions which are cleared will be under the "principal-to-principal" model. However, the following risks are relevant to both models unless otherwise specified.

The CCP will require margin from the clearing broker which will in turn require margin from the Fund. The Fund's assets posted as margin will be held in an account maintained by the clearing broker with the CCP. Such account may contain assets of other clients of the clearing broker (an "omnibus account") and if so, in the event of a shortfall, the assets of the Fund transferred as margin may be used to cover losses relating to such other clients of the clearing broker upon a clearing broker or CCP default.

The margin provided to the clearing broker by the Fund may exceed the margin that the clearing broker is required to provide to the CCP, particularly where an omnibus account is used. The Fund will be exposed to the clearing broker in respect of any margin which has been posted to the clearing broker but not posted to and recorded in an account with the CCP. In the event of the insolvency or failure of the clearing broker, the Fund's assets posted as margin may not be as well protected as if they had been recorded in an account with the CCP.

The Fund will be exposed to the risk that margin is not identified to the particular Fund while it is in transit from the Fund's account to the clearing broker's account and onwards from the clearing broker's account to the CCP. Such margin could, prior to its settlement, be used to offset the positions of another client of the clearing broker in the event of a clearing broker or CCP default.

A CCP's ability to identify assets attributable to a particular client in an omnibus account is reliant on the correct reporting of such client's positions and margin by the relevant clearing broker to that CCP. The Fund is therefore subject to the operational risk that the clearing broker does not correctly report such positions and margin to the CCP. In such event, margin transferred by the Fund in an omnibus account could be used to offset the positions of another client of the clearing broker in that omnibus account in the event of a clearing broker or CCP default.

In the event that the clearing broker becomes insolvent, the Fund may be able to transfer or "port" its positions to another clearing broker. Porting will not always be achievable. In particular, under the principal-to-principal model, where the Fund's positions are within an omnibus account, the ability of the Fund to port its positions is dependent on the timely agreement of all other parties whose positions are in that omnibus account and so porting may not be achieved. Where porting is not achieved, the Fund's positions may be liquidated and the value given to such positions by the CCP may be lower than the full value attributed to them by the Fund. Additionally, there may be a considerable delay in the return of any net sum due to the Fund while insolvency proceedings in respect of the clearing broker are ongoing.

If a CCP becomes insolvent, subject to administration or an equivalent proceeding or otherwise fails to perform, the Fund is unlikely to have a direct claim against the CCP and any claim will be made by the clearing broker. The rights of a clearing broker against the CCP will depend on the law of the country in which the CCP is established and other optional protections the CCP may offer, such as the use of a third party custodian to hold the Fund's margin. On the failure of a CCP, it is likely to be difficult or impossible for positions to be ported to another CCP and so transactions will likely be terminated. In

such circumstances, it is likely that the clearing broker will only recover a percentage of the value of such transactions and consequently the amount the Fund will recover from the clearing broker will be similarly limited. The steps, timing, level of control and risks relating to that process will depend on the CCP, its rules and the relevant insolvency law. However, it is likely that there will be material delay and uncertainty around when and how much assets or cash, if any, the clearing broker will receive back from the CCP and consequently the amount the Fund will receive from the clearing broker.

## 20. Depositary Risk

Assets of the Company are safe kept by the Depositary and Investors are exposed to the risk of the Depositary not being able to fully meet its obligation to reconstitute in a short time frame all of the assets of the Company in the case of bankruptcy of the Depositary. The assets of the Company will be identified in the Depositary's books as belonging to the Company. Securities held by the Depositary will be segregated from other assets of the Depositary which mitigates but does not exclude the risk of non restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non restitution in case of bankruptcy. The Depositary does not keep all the assets of the Company itself but uses a network of sub-custodians which are not part of the same group of companies as the Depositary. Investors are exposed to the risk of bankruptcy of the sub-custodians where the obligation of the Depositary to replace the assets held by that sub-custodian is not triggered or where the Depositary is also bankrupt.

A Fund may invest in markets where custodial and/or settlement systems are not fully developed. The assets of the Fund that are traded in such markets and which have been entrusted to such sub-custodians may be exposed to risk in circumstances where the Depositary will have no liability.

## 21. Smaller Companies Risk

A Fund which invests in smaller companies may fluctuate in value more than other Funds. Smaller companies may offer greater opportunities for capital appreciation than larger companies, but may also involve certain special risks. They are more likely than larger companies to have limited product lines, markets or financial resources, or to depend on a small, inexperienced management group. Securities of smaller companies may, especially during periods where markets are falling, become less liquid and experience short-term price volatility and wide spreads between dealing prices. They may also trade in the OTC market or on a regional exchange, or may otherwise have limited liquidity. Consequently investments in smaller companies may be more vulnerable to adverse developments than those in larger companies and the Fund may have more difficulty establishing or closing out its securities positions in smaller companies at prevailing market prices. Also, there may be less publicly available information about smaller companies or less market interest in the securities, and it may take longer for the prices of the securities to reflect the full value of the issuers' earning potential or assets.

## 22. Specific Risk relating to Collateral Management

Counterparty risk arising from investments in OTC financial derivative instruments and securities lending transactions, repurchase agreements and buy-sell back transactions is generally mitigated by the transfer or pledge of collateral in favour of a Fund. However, transactions may not be fully collateralised. Fees and returns due to the Fund may not be collateralised. If a counterparty defaults, the Fund may need to sell non-cash collateral received at prevailing market prices. In such a case the Fund could realise a loss due, inter alia, to inaccurate pricing or monitoring of the collateral, adverse market movements, deterioration in the credit rating of issuers of the collateral or illiquidity of the market on which the collateral is traded. Difficulties in selling collateral may delay or restrict the ability of the Fund to meet redemption requests.

A Fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Fund to the counterparty as required by the terms of the transaction. The Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Fund.

## 23. Technology Related Companies Risk

Investments in the technology sector may present a greater risk and a higher volatility than investments in a broader range of securities covering different economic sectors. The equity securities of the companies in which a Fund may invest are likely to be affected by world-wide scientific or technological developments, and their products or services may rapidly fall into obsolescence. In addition, some of these companies offer products or services that are subject to governmental regulation and may, therefore, be adversely affected by governmental policies. As a result, the investments made by a Fund may drop sharply in value in response to market, research or regulatory setbacks.

## **24. Lower Rated, Higher Yielding Debt Securities Risk**

A Fund may invest in lower rated, higher yielding debt securities, which are subject to greater market and credit risks than higher rated securities. Generally, lower rated securities pay higher yields than more highly rated securities to compensate investors for the higher risk. The lower ratings of such securities reflect the greater possibility that adverse changes in the financial condition of the issuer, or rising interest rates, may impair the ability of the issuer to make payments to holders of the securities. Accordingly, an investment in such a Fund is accompanied by a higher degree of credit risk than is present with investments in higher rated, lower yielding securities.

## **25. Concentration of Investments Risks**

Although it will be the policy of the Company to diversify its investment portfolio, a Fund may at certain times hold relatively few investments. The Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

## **26. Mortgage Related and Other Asset Backed Securities Risks**

Mortgage-backed securities, including collateralised mortgage obligations and certain stripped mortgage-backed securities represent a participation in, or are secured by, mortgage loans. Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include such items as motor vehicles instalment sales or instalment loan contracts, leases of various types of real and personal property and receivables from credit card agreements.

Traditional debt investments typically pay a fixed rate of interest until maturity, when the entire principal amount is due. By contrast, payments on mortgage-backed and many asset-backed investments typically include both interest and partial payment of principal. Principal may also be prepaid voluntarily, or as a result of refinancing or foreclosure. A Fund may have to invest the proceeds from prepaid investments in other investments with less attractive terms and yields. As a result, these securities may have less potential for capital appreciation during periods of declining interest rates than other securities of comparable maturities, although they may have a similar risk of decline in market value during periods of rising interest rates. As the prepayment rate generally declines as interest rates rise, an increase in interest rates will likely increase the duration, and thus the volatility, of mortgage-backed and asset-backed securities. In addition to interest rate risk (as described above), investments in mortgage-backed securities composed of subprime mortgages may be subject to a higher degree of credit risk, valuation risk and liquidity risk (as described above). Duration is a measure of the expected life of a fixed income security that is used to determine the sensitivity of the security's price to changes in interest rates. Unlike the maturity of a fixed income security, which measures only the time until final payment is due, duration takes into account the time until all payments of interest and principal on a security are expected to be made, including how these payments are affected by prepayments and by changes in interest rates.

The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets may be limited. Some mortgage-backed and asset backed investments receive only the interest portion or the principal portion of payments on the underlying assets. The yields and values of these investments are extremely sensitive to changes in interest rates and in the rate of principal payments on the underlying assets. Interest portions tend to decrease in value if interest rates decline and rates of repayment (including prepayment) on the underlying mortgages or assets increase; it is possible that a Fund may lose the entire amount of its investment in an interest portion due to a decrease in interest rates. Conversely, principal portions tend to decrease in value if interest rates rise and rates of repayment decrease. Moreover, the market for interest portions and principal portions may be volatile and limited, which may make them difficult for a Fund to buy or sell.

A Fund may gain investment exposure to mortgage-backed and asset-backed investments by entering into agreements with financial institutions to buy the investments at a fixed price at a future date. A Fund may or may not take delivery of the investments at the termination date of such an agreement, but will nonetheless be exposed to changes in the value of the underlying investments during the term of the agreement.

## **27. Initial Public Offerings Risk**

A Fund may invest in initial public offerings, which frequently are smaller companies. Such securities have no trading history, and information about these companies may only be available for limited periods. The prices of securities involved in initial public offerings may be subject to greater price volatility than more established securities.

## **28. Risk Associated with Debt Securities Issued Pursuant to Rule 144A under the Securities Act of 1933**

SEC Rule 144A provides a safe harbour exemption from the registration requirements of the Securities Act of 1933 for resale of restricted securities to qualified institutional buyers, as defined in the rule. The advantage for investors may be higher returns due to lower administration charges. However, dissemination of secondary market transactions in rule 144A securities is restricted and only available to qualified institutional buyers. This might increase the volatility of the security prices and, in extreme conditions, decrease the liquidity of a particular rule 144A security.

## **29. Emerging and Less Developed Markets Securities Risk**

Investing in emerging markets and less developed markets securities poses risks different from, and/or greater than, risks of investing in the securities of developed countries. These risks include; smaller market-capitalisation of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales, and future economic or political crisis could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalisation or the creation of government monopolies. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging and less developed countries.

Although many of the emerging and less developed market securities in which a Fund may invest are traded on securities exchanges, they may trade in limited volume and may encounter settlement systems that are less well organised than those of developed markets. Supervisory authorities may also be unable to apply standards that are comparable with those in developed markets. Thus there may be risks that settlement may be delayed and that cash or securities belonging to the relevant Fund may be in jeopardy because of failures of or defects in the systems or because of defects in the administrative operations of counterparties. Such counterparties may lack the substance or financial resources of similar counterparties in a developed market. There may also be a danger that competing claims may arise in respect of securities held by or to be transferred to the Fund and compensation schemes may be non-existent or limited or inadequate to meet the Fund's claims in any of these events.

Equity investments in Russia are currently subject to certain risks with regard to the ownership and custody of securities. This results from the fact that no physical share certificates are issued and ownership of securities is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Depositary), other than by local regulation. No certificates representing shareholdings in Russian companies will be held by the Depositary or any of its local correspondents or in an effective central depository system.

Equity investments in Russia may also be settled using the local depository, the National Settlement Depository ("NSD"). Although NSD is legally recognised as a central securities depository ("CSD"), it is not currently operated as a CSD and may not protect finality of title. Like local custodians, the NSD still has to register the equity positions with the registrar in its own nominee name.

If concerns are raised regarding a specific investor, the whole nominee position in a depository could be frozen for a period of months until the investigation is complete. As a result, there is a risk that an investor could be restricted from trading because of another NSD account holder. At the same time should an underlying registrar be suspended, investors settling through registrars cannot trade, but settlement between two depository accounts can take place. Any discrepancies between a registrar and the NSD records may impact corporate entitlements and potentially settlement activity of underlying clients, which is mitigated by the frequent position reconciliations between the depositories and the registrars.

Securities traded on the Moscow Exchange can be treated as investment in securities dealt in on a Regulated Market.

Additional risks of emerging market securities may include: greater social, economic and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organised and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition taxation of interest and capital gains received by non-residents varies among emerging and less developed markets and, in some cases may be comparatively high. There may also be



less well-defined tax laws and procedures and such laws may permit retroactive taxation so that the Fund could in the future become subject to local tax liabilities that had not been anticipated in conducting investment activities or valuing assets.

In particular, the taxation position of foreign investors holding Chinese shares has historically been uncertain. Transfers of A and B shares of People's Republic of China (PRC) resident companies by foreign corporate shareholders are subject to a 10% capital gains withholding tax, although the tax has not been collected in the past, and uncertainties remain over the timing, any retrospective impact, and the calculation method. Subsequently, the PRC tax authorities announced in November 2014 that gains on the transfer of shares and other equity investments in China by foreign investors would be subject to a 'temporary' exemption from capital gains withholding tax. There was no comment about the duration of this temporary exemption. Because the announcement also confirmed explicitly that gains realised prior to the announcement remain subject to such tax, the Directors have formed the prudent view that provisions should be retained for PRC capital gains withholding tax on gains realised on A and B shares of PRC resident companies between 1 January 2008 and 17 November 2014, but no further accruals will be made for gains realised post-17 November 2014 pending further developments. The situation is being kept under review for indications of any change in market practice or the release of further guidance from the PRC authorities, and accruals for PRC capital gains withholding tax may re-commence without notice upon the release of such guidance if the Directors and their advisors believe this is appropriate.

PRC corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by foreign investors (including the Funds) on trading of China A-Shares via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. However, foreign investors are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant in-charge PRC tax authorities by the listed companies. For investors who are tax residents of a jurisdiction which has concluded a tax treaty with the PRC, such investors may apply for a refund of the PRC withholding income tax overpaid if the relevant tax treaty provides for a lower PRC withholding income tax on dividends for a lower dividend tax rate, such investors may apply to the tax authority for a refund of the differences.

### **30. Specific Risks linked to Securities Lending and Repurchase Transactions**

Securities lending and repurchase transactions involve certain risks. There is no assurance that a Fund will achieve the objective for which it entered into a transaction.

Repurchase transactions might expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, the risks of which are described in other sections of this Prospectus. Securities loans may, in the event of a counterparty default or an operational difficulty, be recovered late and only in part, which might restrict a Fund's ability to complete the sale of securities or to meet redemption requests.

A Fund's exposure to its counterparty will be mitigated by the fact that the counterparty will forfeit its collateral if it defaults on the transaction. If the collateral is in the form of securities, there is a risk that when it is sold it will realise insufficient cash to settle the counterparty's debt to a Fund or to purchase replacements for the securities that were lent to the counterparty. In the latter case, a Fund's tri-party lending agent will indemnify a Fund against a shortfall of cash available to purchase replacement securities but there is a risk that the indemnity might be insufficient or otherwise unreliable.

In the event that a Fund reinvests cash collateral in one or more of the permitted types of investment, there is a risk that the investment will earn less than the interest that is due to the counterparty in respect of that cash and that it will return less than the amount of cash that was invested. There is also a risk that the investment will become illiquid, which would restrict a Fund's ability to recover its securities on loan, which might restrict a Fund's ability to complete the sale of securities or to meet redemption requests.

### **31. Potential Conflicts of Interest**

The Investment Managers and Schroders may effect transactions in which the Investment Managers or Schroders have, directly or indirectly, an interest which may involve a potential conflict with the Investment Managers' duty to the Company. Neither the Investment Managers nor Schroders shall be liable to account to the Company for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions nor will the Investment Managers' fees, unless otherwise provided, be abated.

The Investment Managers will ensure that such transactions are effected on terms which are not less favourable to the Company than if the potential conflict had not existed.

Such potential conflicting interests or duties may arise because the Investment Managers or Schroders may have invested directly or indirectly in the Company.

The prospect of a Performance Fee may lead the Investment Managers to make investments that are riskier than would otherwise be the case.

### **32. Investment Funds**

Some of the Funds may invest all or substantially all of their assets in investment funds, unless otherwise disclosed, the investment risks identified in this Appendix will apply whether a Fund invests directly, or indirectly through investment funds, in the assets concerned. The investments of the Funds in investment funds may result in an increase of total operating, administration, depositary and management fees/expenses. However the Investment Managers will seek to negotiate a reduction in management fees and any such reduction will be for the sole benefit of the relevant Fund.

### **33. Commodity-linked Derivatives**

Investments in commodity-linked derivative instruments may subject the Company to greater volatility than instruments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

### **34. Convertible Securities Risk**

Convertible securities are typically bonds or preferred stocks that may be converted into a specific number of shares of the issuing company's stock at a specified conversion price.

Convertible securities combine investment characteristics and risks of equities and bonds.

Depending on the value of the underlying stock, the convertible security will behave more like a stock or like a bond.

When the price of the underlying stock exceeds the conversion price, the convertible security generally behaves more like a stock and will be more sensitive to changes in equity securities. When the price of the underlying stock is lower than the conversion price, the convertible security generally behaves more like a bond and will be more sensitive to changes in interest rates and in credit spreads.

Given the benefit provided by the potential conversion, convertible securities generally offer lower yields than non-convertible securities of similar quality.

They also can be of lower credit quality and tend to be less liquid than traditional non convertible securities. Lower credit quality debt securities are generally subject to greater market, credit and default risk compared to more highly rated securities.

### **35. Exchange Rates**

The reference currency of each Fund is not necessarily the investment currency of the Fund concerned. Investments are made in investment funds in currencies that, in the view of the Investment Managers, best benefit the performance of the Funds.

Shareholders investing in a Fund having a reference currency that is different from their own should be aware that exchange rate fluctuations could cause the value of their investment to diminish or increase.

### **36. Fixed Income Securities**

The value of fixed income securities held by Funds generally will vary upon changes in interest rates and such variation may affect Share prices of Funds investing in fixed income securities.

### **37. Equity Securities**

Where a Fund invests in equity or equity-related investments, the values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities.

### 38. Private Equity

Investments which grant an exposure to private equity involve additional risks compared to those resulting from traditional investments. More specifically, private equity investments may imply exposure to less mature and less liquid companies. The value of financial instruments which grant exposure to private equity may be impacted in a similar manner as direct investments in private equity.

### 39. Commodities

Investments which grant an exposure to commodities involve additional risks compared to those resulting from traditional investments. More specifically:

- political, military and natural events may influence the production and trading of commodities and, as a consequence, negatively influence financial instruments which grant exposure to commodities;
- terrorism and other criminal activities may have an influence on the availability of commodities and therefore also negatively impact financial instruments which grant exposure to commodities.

The performance of commodities, precious metals and commodity futures also depends on the general supply situation of the respective goods, the demand for them, the expected output, extraction and production as well as the expected demand, and can for this reason be especially volatile.

### 40. Sovereign Risk

There is a risk that governments or their agencies may default or not completely fulfil their obligations. In addition, there is no bankruptcy proceeding for sovereign debt securities on which money to pay the obligations of sovereign debt securities may be collected in whole or in part. As a consequence of this holders of sovereign debt securities may be requested to participate in the rescheduling of sovereign debt securities and to extend further loans to the issuers of sovereign debt securities.

### 41. Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

All Funds which can invest in China may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect programmes (the "Stock Connect") subject to any applicable regulatory limits. The Stock Connect is a securities trading and clearing linked programme developed by Hong Kong Exchanges and Clearing Limited ("HKEx"), the Hong Kong Securities Clearing Company Limited ("HKSCC"), Shanghai Stock Exchange or Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited ("ChinaClear") with an aim to achieve mutual stock market access between mainland China and Hong Kong. The Stock Connect allow foreign investors to trade certain Shanghai Stock Exchange or Shenzhen Stock Exchange listed China A-Shares through their Hong Kong based brokers.

The Funds seeking to invest in the domestic securities markets of the PRC may use the Stock Connect, in addition to the QFII and RQFII schemes and, thus, are subject to the following additional risks:

**General Risk:** The relevant regulations are untested and subject to change. There is no certainty as to how they will be applied which could adversely affect the Funds. The Stock Connect requires use of new information technology systems which may be subject to operational risk due to its cross-border nature. If the relevant systems fail to function properly, trading in Hong Kong and Shanghai/Shenzhen markets through Stock Connect could be disrupted.

**Clearing and Settlement Risk:** The HKSCC and ChinaClear have established the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

**Legal/Beneficial Ownership:** Where securities are held in custody on a cross-border basis, there are specific legal/beneficial ownership risks linked to compulsory requirements of the local Central Securities Depositories, HKSCC and ChinaClear.

As in other emerging and less developed markets, the legislative framework is only beginning to develop the concept of legal/formal ownership and of beneficial ownership or interest in securities. In addition, HKSCC, as nominee holder, does not guarantee the title to Stock Connect securities held through it and is under no obligation to enforce title or other rights associated with ownership on behalf of beneficial owners. Consequently, the courts may consider that any nominee or custodian as registered holder of Stock

Connect securities would have full ownership thereof, and that those Stock Connect securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently the Funds and the Depositary cannot ensure that the Funds ownership of these securities or title thereto is assured.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Depositary and the Funds will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that the Funds suffer losses resulting from the performance or insolvency of HKSCC.

In the event ChinaClear defaults, HKSCC's liabilities under its market contracts with clearing participants will be limited to assisting clearing participants with claims. HKSCC will act in good faith to seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or the liquidation of ChinaClear. In this event, the Funds may not fully recover its losses or its Stock Connect securities and the process of recovery could also be delayed.

**Operational Risk:** The HKSCC provides clearing, settlement, nominee functions and other related services of the trades executed by Hong Kong market participants. PRC regulations which include certain restrictions on selling and buying will apply to all market participants. In the case of sale, pre-delivery of shares are required to the broker, increasing counterparty risk. Because of such requirements, the Funds may not be able to purchase and/or dispose of holdings of China A-Shares in a timely manner.

**Quota Limitations:** The Stock Connect is subject to quota limitations which may restrict the Funds ability to invest in China A-Shares through the Stock Connect on a timely basis.

**Investor Compensation:** The Funds will not benefit from local investor compensation schemes. Stock Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. There may be occasions when it is a normal trading day for the PRC market but the Funds cannot carry out any China A-Shares trading. The Funds may be subject to risks of price fluctuations in China A-Shares during the time when Stock Connect is not trading as a result.

**Investment Risk:** securities traded via Shenzhen-Hong Kong Stock Connect may be smaller companies which are subject to "Smaller Companies Risk" as listed earlier in this Appendix.

## 42. Hedging Risk

A Fund may (directly or indirectly) employ hedging by taking long and short positions in related instruments. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline. Hedging transactions may limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and a Fund may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs.

## 43. Synthetic Short Selling Risk

A Fund may use financial derivative instruments to implement synthetic short positions. If the price of the instrument or market which the Fund has taken a short position on increases, then the Fund will incur a loss in relation to the increase in price from the time that the short position was entered into plus any premiums and interest paid to a counterparty. Therefore, taking short positions involves the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment

# Appendix III

## Available Funds

The investment objectives and policies described below are binding on the Investment Manager of each Fund, although there can be no assurance that an investment objective will be met.

The Funds bearing an asterisk (\*) next to their name are not available for subscription at the time of this Prospectus. Such Funds will be launched at the Directors' discretion, at which time this Prospectus will be updated accordingly.

## Hedged Share Classes

Share Classes may be offered in various currencies (each a "Reference Currency") at the Directors' discretion. Where offered in a currency other than the currency of the Fund (the "Fund Currency"), a Share Class may be currency denominated or currency hedged Share Class and they will be designated as such.

In respect of the currency hedged Share Classes, the Management Company has the ability to fully hedge the Shares of such Share Classes in relation to the Fund Currency. In this instance currency exposures or currency hedging transactions within the Fund's portfolio will not be considered. The Management Company will review hedged positions at every valuation point to ensure that (i) over-hedged positions do not exceed 105% of the Net Asset Value of the hedged Classes and (ii) under-hedged positions do not fall short of 95% of the portion of the Net Asset Value of the hedged Classes which is to be hedged against the currency risk.

Confirmation of all the Funds and Share Classes available including currency denomination and hedging, as well as an up-to-date list of Share Classes with a contagion risk can be obtained from the Management Company upon request.

The performance of hedged Share Classes aims to be similar to the performance of equivalent Share Classes in Fund Currency. There is no assurance however that the hedging strategies employed will be effective in delivering performance differentials that are reflective only of interest rate differences adjusted for fees.

Where undertaken, the effects of this hedging will be reflected in the Net Asset Value and, therefore, in the performance of such additional Share Class. Similarly, any expenses arising from such hedging transactions (including a hedging charge of up to 0.03%) will be borne by the Share Class in relation to which they have been incurred.

Collateral received in connection with currency hedging transactions (and in particular currency forward transactions) on behalf of currency hedged Share Classes, may be reinvested, in compliance with the applicable investment policy and restrictions of the Funds.

It should be noted that these hedging transactions may be entered into whether the Reference Currency is declining or increasing in value relative to the relevant base currency and so, where such hedging is undertaken it may substantially protect Investors in the relevant Share Class against a decrease in the value of the base currency relative to the Reference Currency, but it may also preclude Investors from benefiting from an increase in the value of the Fund Currency.

In addition the Investment Manager may hedge the Fund Currency against the currencies in which the underlying assets of the Fund are denominated or the underlying unhedged assets of a target fund are denominated.

There can be no assurance that the currency hedging employed will fully eliminate the currency exposure to the Reference Currency.

## RMB Hedged Share Classes

Since 2005, the RMB exchange rate is no longer pegged to the USD. RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market is allowed to float within a narrow band around the central parity published by the People's Republic of China. RMB convertibility from offshore RMB (CNH) to onshore RMB (CNY) is a managed currency process subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government in coordination with the Hong Kong Monetary Authority (HKMA). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including without limitation those foreign exchange control policies and repatriation restrictions.

Since 2005, foreign exchange control policies pursued by the Chinese government have resulted in the general appreciation of RMB (both CNH and CNY). This appreciation may or may not continue and there can be no assurance that RMB will not be subject to devaluation at some point.

The RMB Hedged Share Classes participate in the offshore RMB (CNH) market, which allows investors to freely transact CNH outside of mainland China with approved banks in the Hong Kong market (HKMA approved banks). The RMB Hedged Share Classes will have no requirement to remit CNH to onshore RMB (CNY).

## Schroder Alternative Solutions Agriculture Fund

### Investment Objective

The Fund aims to provide long term capital growth by investing in agricultural commodity related instruments worldwide.

### Investment Policy

The Fund invests at least two-thirds of its assets in agricultural commodity instruments and related derivatives worldwide.

As the Fund is index-unconstrained it is managed without reference to an index.

The Fund may use derivatives, with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. These include agricultural commodity related derivatives, such as futures (e.g. futures on commodity indices) total return swaps (e.g. swaps on physical commodities), and structured notes. Where the Fund uses total return swaps, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and Investment Policy. In particular, total return swaps may be used to gain long exposure to commodities. The gross exposure of total return swaps will not exceed 100% and is expected to remain within the range of 0% to 20% of the Net Asset Value. In certain circumstances this proportion may be higher.

The Fund also invests in agricultural commodity related equity and equity related securities, fixed income securities, convertible securities and warrants of issuers in commodity related industries. The Fund may also invest in foreign currency (e.g. forward currency contracts, currency options and swaps on currencies) The Fund may invest in money market instruments and hold cash.

The Fund will not acquire any physical commodities directly. Any commodity derivatives that call for physical delivery of the underlying commodity will be liquidated prior to delivery and procedures are in place to ensure that this occurs.

To implement its investment policy, the Fund may use standardised and non-standardised (customised) derivatives. It may conduct such transactions on a stock exchange or another Regulated Market open to the public, or directly with a bank or financial institution specialising in these types of business as counterparty (Over The Counter trading). The use of derivatives will not result in the Fund being leveraged nor will derivatives be used to engage in short selling.

The Fund's global exposure may not exceed 100% of its assets.

The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in as described in section 2.3.

## Leverage

### Definition

Leverage is a way for the Fund to increase its exposure through the use of financial derivative instruments and/or borrowing of cash or securities where applicable.

Leverage is expressed as a ratio ('leverage ratio') between the exposure of the Fund and its Net Asset Value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Fund, the gross method and the commitment method as summarized in the below table.

Leverage ratio	Exposure calculation methodology
'Gross leverage ratio'	The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.

Leverage ratio	Exposure calculation methodology
	<p>Cash and cash equivalent (including cash borrowing that remain in cash or cash equivalent) held in the base currency of the fund are excluded from the exposure calculation.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>
'Commitment leverage ratio'	<p>The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Fund supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk.

As a result, a Fund that exhibits a high level of gross leverage is not necessarily riskier than a Fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Fund as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Fund is unleveraged whereas a leverage ratio above 1 indicates the Fund is leveraged.

#### **Circumstances in which the Fund may use leverage and types and sources of leverage permitted**

Even in extraordinary circumstances, the use of financial derivatives will not result in the Fund being leveraged nor will they be used to engage in short selling.

#### **Maximum level of leverage**

Leverage ratio	Maximum leverage ratio
'Gross leverage ratio'	1
'Commitment leverage ratio'	1

#### **Liquidity risk management**

The Management Company has established a liquidity risk process to assess and monitor the liquidity risk profile of the Fund on an on-going basis. This includes a liquidity stress test scenario combining a strong reduction in the market liquidity with large



outflows. Due to the lack of publicly available data on trading volumes for certain fixed income securities, the monitoring may rely on an internal model to assess market liquidity.

In exceptional circumstances such as market liquidity dislocation and in the best interest of the Fund and its Shareholders, the Management Company has implemented special procedures to defer redemption requests on a temporary basis as further detailed under section 2.5 "Suspensions or Deferrals".

#### **Fund Characteristics**

Portfolio Currency	USD
Investment Manager	Schroder Investment Management Limited
Dealing Cut-off Time	13:00 Luxembourg time on any Dealing Day
Dealing Frequency / Dealing Day	Daily, on each Business Day
Settlement period of subscription and redemption proceeds <sup>1</sup>	Within 3 Business Days from the relevant Dealing Day
Performance Fee	10% (the multiplier) of the absolute outperformance over a High Water Mark, as per the methodology in section 3.1.1 sub-section "Performance Fees" (C).

<sup>1</sup> Different subscription and redemption procedures may apply if applications are made through Distributors.

**Share Class Features**

<b>Share Classes <sup>2</sup></b>	<b>A</b>	<b>C</b>	<b>D</b>
Minimum Initial Subscription	USD 10,000	USD 250,000	USD 10,000
Minimum Additional Subscription	USD 5,000	USD 125,000	USD 5,000
Minimum Holding	USD 10,000	USD 250,000	USD 10,000
Initial Charge <sup>3</sup>	Up to 5.0%	Up to 1.0%	Nil
Distribution Charge	Nil	Nil	1.00%
Redemption Charge	Nil	Nil	Nil <sup>4</sup>
Investment Management Fee <sup>5</sup>	Up to 1.75%	1.25%	Up to 1.75%
Performance Fee	Yes	Yes	Yes

<b>Share Classes <sup>2</sup></b>	<b>J</b>	<b>I</b>	<b>X</b>
Minimum Initial Subscription	USD 5,000,000	USD 5,000,000	USD 25,000,000
Minimum Additional Subscription	USD 2,500,000	USD 2,500,000	USD 12,500,000
Minimum Holding	USD 5,000,000	USD 5,000,000	USD 25,000,000
Initial Charge <sup>3</sup>	Nil	Nil	Nil
Distribution Charge	Nil	Nil	Nil
Redemption Charge	Nil	Nil	Nil
Investment Management Fee <sup>5</sup>	Nil	Nil	Nil
Performance Fee	Nil	Nil	Yes

As of 29 September 2018, the share class hedging charge of up to 0.03% will be borne by the currency hedged Share Classes.

<sup>2</sup> Other Share Classes described in section 1.3 of the Prospectus may also be available at the Management Company's discretion.

<sup>3</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate. The Initial Charge is expressed as a percentage of the total subscription amount. For example, up to 5% of the total subscription amount is equivalent to 5.26315% of the Net Asset Value per Share.

<sup>4</sup> However some charges for example redemption or administration charges may be deducted by the Distributor from the redemption proceeds as agreed separately between the shareholders and the Distributor. Shareholders should check with the respective Distributors for details of the arrangement.

<sup>5</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate.

## Schroder Alternative Solutions Argentine Bond Fund

### Investment Objective

The Fund aims to provide capital growth and income by investing in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies in Argentina.

### Investment Policy

The Fund invests at least two-thirds of its assets in fixed and floating rate securities denominated in USD issued by governments, government agencies, supra-nationals and companies in Argentina.

The Fund may invest:

- in excess of 50% of its assets in fixed and floating rate securities that have a below investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies);
- up to 100% of its assets in securities issued by governments and government agencies; and
- up to 10% of its assets in open-ended investment funds.

As the Fund is unconstrained it is managed without reference to an index.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

The Fund does not have any direct or indirect exposure to commodities.

The Fund may also invest in money market instruments and hold cash.

The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in as described in section 2.3.

### Specific Risk Consideration

The value of fixed income securities held by the Fund will vary upon changes in interest rates and such variation may affect Share prices of Funds investing in fixed income securities.

A detailed description of the programmes as well as risks linked thereto can be found in Appendix II of this Prospectus.

## Leverage

### Definition

Leverage is a way for the Fund to increase its exposure through the use of financial derivative instruments and/or borrowing of cash or securities where applicable.

Leverage is expressed as a ratio ('leverage ratio') between the exposure of the Fund and its Net Asset Value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Fund, the gross method and the commitment method as summarized in the below table.

Leverage ratio	Exposure calculation methodology
'Gross leverage ratio'	<p>The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.</p> <p>Cash and cash equivalent (including cash borrowing that remain in cash or cash equivalent) held in the base currency of the fund are excluded from the exposure calculation.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>
'Commitment leverage ratio'	<p>The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Fund supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk.

As a result, a Fund that exhibits a high level of gross leverage is not necessarily riskier than a Fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Fund as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Fund is unleveraged whereas a leverage ratio above 1 indicates the Fund is leveraged.

#### **Circumstances in which the Fund may use leverage and types and sources of leverage permitted**

Even in extraordinary circumstances, the use of financial derivatives will not result in the Fund being leveraged nor will they be used to engage in short selling.

**Maximum level of leverage**

Leverage ratio	Maximum leverage ratio
'Gross leverage ratio'	1
'Commitment leverage ratio'	1

**Liquidity risk management**

The Management Company has established a liquidity risk process to assess and monitor the liquidity risk profile of the Fund on an on-going basis. This includes a liquidity stress test scenario combining a strong reduction in the market liquidity with large outflows. Due to the lack of publicly available data on trading volumes for certain fixed income securities, the monitoring may rely on an internal model to assess market liquidity.

In exceptional circumstances such as market liquidity dislocation and in the best interest of the Fund and its Shareholders, the Management Company has implemented special procedures to defer redemption requests on a temporary basis as further detailed under section 2.5 "Suspensions or Deferrals".

**Fund Characteristics**

Portfolio Currency	USD
Investment Manager	Schroder Investment Management North America (SIMNA) Inc.
Dealing Cut-off Time	13:00 Luxembourg time on any Dealing Day
Dealing Frequency / Dealing Day	Daily, on each Business Day
Settlement period of subscription and redemption proceeds <sup>1</sup>	Within 3 Business Days from the relevant Dealing Day
Performance Fee	None

**Share Class Features**

Share Classes <sup>2</sup>	A	C	A1
Minimum Initial Subscription	USD 10,000	USD 250,000	USD 10,000
Minimum Additional Subscription	USD 5,000	USD 125,000	USD 5,000
Minimum Holding	USD 10,000	USD 250,000	USD 10,000
Initial Charge	Up to 5%	Up to 1%	Nil
Distribution Charge	Nil	Nil	0.50%
Redemption Charge	Nil	Nil	Nil
Investment Management Fee <sup>3</sup>	1.50%	0.625%	1.50%
Performance Fee	Nil	Nil	Nil

As of 29 September 2018, the share class hedging charge of up to 0.03% will be borne by the currency hedged Share Classes.

<sup>1</sup> Different subscription and redemption procedures may apply if applications are made through Distributors.

<sup>2</sup> Other Share Classes described in section 1.3 of the Prospectus may also be available at the Management Company's discretion.

<sup>3</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate.

## **Schroder Alternative Solutions Asian Long Term Value Fund**

### **Investment Objective**

The Fund aims to provide capital growth and income by investing in equity and equity related securities of Asian companies which are considered undervalued relative to the market.

### **Investment Policy**

The Fund invests at least two-thirds of its assets in equity and equity related securities of Asian companies. The Fund typically holds between 25 and 40 companies. The Fund may invest up to 100% in a single country. The Fund may invest directly in China B-Shares and China H-Shares and may invest up to 10% of its assets in China A-Shares through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

The Fund invests in companies which are trading at a discount to the market where the price does not necessarily correspond with the company's long-term prospects.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. The Fund may invest in money market instruments and hold cash. The Fund may exceptionally hold up to 100% of its assets in cash.

The Fund does not have any direct or indirect exposure to commodities.

The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in as described in section 2.3.

### **Specific Risk Consideration**

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are securities trading and clearing linked programmes developed by The Stock Exchange of Hong Kong Limited, Shanghai/Shenzhen Stock Exchanges, Hong Kong Securities Clearing Company Limited and China Securities Depository and Clearing Corporation Limited, with an aim to achieve mutual stock market access between the PRC (excluding Hong Kong, Macau and Taiwan) and Hong Kong. A detailed description of the programmes as well as risks linked thereto can be found in Appendix II of this Prospectus.

## **Leverage**

### **Definition**

Leverage is a way for the Fund to increase its exposure through the use of financial derivative instruments and/or borrowing of cash or securities where applicable.

Leverage is expressed as a ratio ('leverage ratio') between the exposure of the Fund and its Net Asset Value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Fund, the gross method and the commitment method as summarized in the below table.

Leverage ratio	Exposure calculation methodology
'Gross leverage ratio'	<p>The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.</p> <p>Cash and cash equivalent (including cash borrowing that remain in cash or cash equivalent) held in the base currency of the fund are excluded from the exposure calculation.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>
'Commitment leverage ratio'	<p>The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Fund supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk.

As a result, a Fund that exhibits a high level of gross leverage is not necessarily riskier than a Fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Fund as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Fund is unleveraged whereas a leverage ratio above 1 indicates the Fund is leveraged.

#### **Circumstances in which the Fund may use leverage and types and sources of leverage permitted**

Even in extraordinary circumstances, the use of financial derivatives will not result in the Fund being leveraged nor will they be used to engage in short selling.

**Maximum level of leverage**

Leverage ratio	Maximum leverage ratio
'Gross leverage ratio'	2
'Commitment leverage ratio'	2

**Liquidity risk management**

The Management Company has established a liquidity risk process to assess and monitor the liquidity risk profile of the Fund on an on-going basis. This includes a liquidity stress test scenario combining a strong reduction in the market liquidity with large outflows. Due to the lack of publicly available data on trading volumes for certain fixed income securities, the monitoring may rely on an internal model to assess market liquidity.

In exceptional circumstances such as market liquidity dislocation and in the best interest of the Fund and its Shareholders, the Management Company has implemented special procedures to defer redemption requests on a temporary basis as further detailed under section 2.5 "Suspensions or Deferrals".

**Fund Characteristics**

Portfolio Currency	USD
Investment Manager	Schroder Investment Management (Hong Kong) Limited
Dealing Cut-off Time	Subscription: 13:00 Luxembourg time 3 Business Days prior to the relevant Dealing Day Redemption: 13:00 Luxembourg time 3 Business Days prior to the relevant Dealing Day
Dealing Frequency / Dealing Day	Weekly, each Wednesday (or on the following Business Day if Wednesday is not a Business Day) and on the last Business Day of each calendar month
Settlement period of subscription and redemption proceeds <sup>1</sup>	Within 3 Business Days from the relevant Dealing Day
Performance Fee	10% of the outperformance as defined in Section 3.1.1, sub-section "Performance Fees" (B) Benchmark: MSCI AC Asia ex Japan

**Share Class Features**

Share Classes <sup>2</sup>	A	C	I	IZ
Minimum Initial Subscription	USD 250,000	USD 250,000	USD 5,000,000	USD 100,000,000
Minimum Additional Subscription	USD 125,000	USD 125,000	USD 2,500,000	USD 20,000,000
Minimum Holding	USD 250,000	USD 250,000	USD 5,000,000	USD 100,000,000
Initial Charge	Up to 3.00%	Nil	Nil	Nil
Distribution Charge	Nil	Nil	Nil	Nil
Redemption Charge	Nil	Nil	Nil <sup>3</sup>	Nil
Investment Management Fee <sup>4</sup>	1.50%	0.75%	Nil	0.75%
Performance Fee	Yes	Yes	Nil	Yes

<sup>1</sup> Different subscription and redemption procedures may apply if applications are made through Distributors.

<sup>2</sup> Other Share Classes described in section 1.3 of the Prospectus may also be available at the Management Company's discretion.

<sup>3</sup> However some charges for example redemption or administration charges may be deducted by the Distributor from the redemption proceeds as agreed separately between the shareholders and the Distributor. Shareholders should check with the respective Distributors for details of the arrangement.

<sup>4</sup> Percentages are with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate.



As of 29 September 2018, the share class hedging charge of up to 0.03% will be borne by the currency hedged Share Classes.

## **Schroder Alternative Solutions Commodity Fund**

### **Investment Objective**

The Fund aims to provide long term capital growth by investing in commodity related instruments worldwide.

### **Investment Policy**

The Fund invests at least two-third of its assets in energy, agriculture, metals and other commodity linked instruments and commodity related derivatives worldwide.

As the Fund is index-unconstrained it is managed without reference to an index

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. These include commodity related derivatives, such as futures (e.g. futures on commodity indices), total return swaps (e.g. swaps on physical commodities) and structured notes. Where the Fund uses total return swaps, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and Investment Policy. In particular, total return swaps may be used to gain long exposure to commodities. The gross exposure of total return swaps will not exceed 100% and is expected to remain within the range of 0% to 20% of the Net Asset Value. In certain circumstances this proportion may be higher.

The Fund also invests in commodity related equity and equity related securities, fixed income securities, convertible securities and warrants of issuers in commodity related industries. The Fund may also invest in foreign currency (e.g. forward currency contracts, currency options, and swaps on currencies). The Fund may invest in money market instruments and hold cash.

The Fund will not acquire any physical commodities directly. Any commodity derivatives that call for physical delivery of the underlying commodity will be liquidated prior to delivery and procedures are in place to ensure that this occurs.

The Fund's global exposure may not exceed 100% of its assets.

The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in as described in section 2.3.

## **Leverage**

### **Definition**

Leverage is a way for the Fund to increase its exposure through the use of financial derivative instruments and/or borrowing of cash or securities where applicable.

Leverage is expressed as a ratio ('leverage ratio') between the exposure of the Fund and its Net Asset Value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Fund, the gross method and the commitment method as summarized in the below table.

Leverage ratio	Exposure calculation methodology
'Gross leverage ratio'	<p>The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.</p> <p>Cash and cash equivalent (including cash borrowing that remain in cash or cash equivalent) held in the base currency of the fund are excluded from the exposure calculation.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>
'Commitment leverage ratio'	<p>The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Fund supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk.

As a result, a Fund that exhibits a high level of gross leverage is not necessarily riskier than a Fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Fund as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Fund is unleveraged whereas a leverage ratio above 1 indicates the Fund is leveraged.

#### **Circumstances in which the Fund may use leverage and types and sources of leverage permitted**

Even in extraordinary circumstances, the use of financial derivatives will not result in the Fund being leveraged nor will they be used to engage in short selling.

**Maximum level of leverage**

Leverage ratio	Maximum leverage ratio
'Gross leverage ratio'	1
'Commitment leverage ratio'	1

**Liquidity risk management**

The Management Company has established a liquidity risk process to assess and monitor the liquidity risk profile of the Fund on an on-going basis. This includes a liquidity stress test scenario combining a strong reduction in the market liquidity with large outflows. Due to the lack of publicly available data on trading volumes for certain fixed income securities, the monitoring may rely on an internal model to assess market liquidity.

In exceptional circumstances such as market liquidity dislocation and in the best interest of the Fund and its Shareholders, the Management Company has implemented special procedures to defer redemption requests on a temporary basis as further detailed under section 2.5 "Suspensions or Deferrals".

**Fund Characteristics**

Portfolio Currency	USD
Investment Manager	Schroder Investment Management Limited
Dealing Cut-off Time	13:00 Luxembourg time on any Dealing Day
Dealing Frequency / Dealing Day	Daily, on each Business Day
Settlement period of subscription and redemption proceeds <sup>1</sup>	Within 3 Business Days from the relevant Dealing Day
Performance Fee	10% (the multiplier) of the absolute outperformance over a High Water Mark, as per the methodology in section 3.1.1. sub-section "Performance Fees" (C).

<sup>1</sup> Different subscription and redemption procedures may apply if applications are made through Distributors.

**Share Class Features**

<b>Share Classes</b> <sup>2</sup>	<b>A</b>	<b>C</b>	<b>D</b>	<b>J</b>	<b>I</b>	<b>X</b>
Minimum Initial Subscription	USD 10,000	USD 250,000	USD 10,000	USD 5,000,0- 00	USD 5,000,0- 00	USD 25,000,- 000
Minimum Additional Subscription	USD 5,000	USD 125,000	USD 5,000	USD 2,500,0- 00	USD 2,500,0- 00	USD 12,500,- 000
Minimum Holding	USD 10,000	USD 250,000	USD 10,000	USD 5,000,0- 00	USD 5,000,0- 00	USD 25,000,- 000
Initial Charge <sup>3</sup>	Up to 5.0%	Up to 1.0%	Nil	Nil	Nil	Nil
Distribution Charge <sup>3</sup>	Nil	Nil	1.00%	Nil	Nil	Nil
Redemption Charge	Nil	Nil	Nil <sup>4</sup>	Nil	Nil	Nil
Investment Management Fee <sup>5</sup>	Up to 1.50%	1.00%	Up to 1.50%	Nil	Nil	Nil
Performance Fee	Yes	Yes	Yes	Nil	Nil	Yes

As of 29 September 2018, the share class hedging charge of up to 0.03% will be borne by the currency hedged Share Classes.

<sup>2</sup> Other Share Classes described in section 1.3 of the Prospectus may also be available at the Management Company's discretion.

<sup>3</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate. The Initial Charge is expressed as a percentage of the total subscription amount. For example, up to 5% of the total subscription amount is equivalent to 5.26315% of the Net Asset Value per Share.

<sup>4</sup> However some charges for example redemption or administration charges may be deducted by the Distributor from the redemption proceeds as agreed separately between the shareholders and the Distributor. Shareholders should check with the respective Distributors for details of the arrangement.

<sup>5</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate.

## **Schroder Alternative Solutions Commodity Total Return Fund**

### **Investment Objective**

The Fund aims to provide capital growth over 3-5 years by investing in commodity related instruments worldwide.

### **Investment Approach**

The Fund invests at least two-third of its assets in energy, agriculture, metals and other commodity linked instruments and commodity related derivatives worldwide.

As the Fund is index-unconstrained it is managed without reference to an index

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. These include futures, swaps and structured notes. Where the Fund uses total return swaps, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and Investment Policy. The Fund may use leverage up to 50% of its net assets.

In particular, total return swaps may be used to gain long exposure to commodities. The gross exposure of total return swaps will not exceed 100% and is expected to remain within the range of 0% to 20% of the Net Asset Value. In certain circumstances this proportion may be higher.

The Fund will not acquire any physical commodities directly. Any commodity derivatives that call for physical delivery of the underlying commodity will be liquidated prior to delivery and procedures are in place to ensure that this occurs.

The Fund may invest in money market instruments and hold cash. The Fund may exceptionally hold up to 100% of its assets in cash. The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in as described in section 2.3.

## **Leverage**

### **Definition**

Leverage is a way for the Fund to increase its exposure through the use of financial derivative instruments and/or borrowing of cash or securities where applicable.

Leverage is expressed as a ratio ('leverage ratio') between the exposure of the Fund and its Net Asset Value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Fund, the gross method and the commitment method as summarized in the below table.

Leverage ratio	Exposure calculation methodology
'Gross leverage ratio'	<p>The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.</p> <p>Cash and cash equivalent (including cash borrowing that remain in cash or cash equivalent) held in the base currency of the fund are excluded from the exposure calculation.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>
'Commitment leverage ratio'	<p>The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Fund supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk.

As a result, a Fund that exhibits a high level of gross leverage is not necessarily riskier than a Fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Fund as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Fund is unleveraged whereas a leverage ratio above 1 indicates the Fund is leveraged.

#### **Circumstances in which the Fund may use leverage and types and sources of leverage permitted**

Even in extraordinary circumstances, the use of financial derivatives will not result in the Fund being leveraged nor will they be used to engage in short selling.

**Maximum level of leverage**

Leverage ratio	Maximum leverage ratio
'Gross leverage ratio'	1.50
'Commitment leverage ratio'	1.50

**Liquidity risk management**

The Management Company has established a liquidity risk process to assess and monitor the liquidity risk profile of the Fund on an on-going basis. This includes a liquidity stress test scenario combining a strong reduction in the market liquidity with large outflows. Due to the lack of publicly available data on trading volumes for certain fixed income securities, the monitoring may rely on an internal model to assess market liquidity.

In exceptional circumstances such as market liquidity dislocation and in the best interest of the Fund and its Shareholders, the Management Company has implemented special procedures to defer redemption requests on a temporary basis as further detailed under section 2.5 "Suspensions or Deferrals".

**Fund Characteristics**

Portfolio Currency	USD
Investment Manager	Schroder Investment Management Limited
Dealing Cut-off Time	13:00 Luxembourg time on any Dealing Day
Dealing Frequency / Dealing Day	Daily, on each Business Day
Settlement period of subscription and redemption proceeds <sup>1</sup>	Within 3 Business Days from the relevant Dealing Day
Performance Fee	10% (the multiplier) of the absolute outperformance over a High Water Mark, as per the methodology in section 3.1.1. sub-section "Performance Fees" (C).

<sup>1</sup> Different subscription and redemption procedures may apply if applications are made through Distributors.



**Share Class Features**

<b>Share Classes</b> <sup>2</sup>	<b>A</b>	<b>C</b>	<b>E</b>	<b>I</b>
Minimum Initial Subscription	USD 10,000	USD 250,000	USD 500,000	USD 5,000,000
Minimum Additional Subscription	USD 5,000	USD 125,000	USD 250,000	USD 2,500,000
Minimum Holding	USD 10,000	USD 250,000	USD 500,000	USD 5,000,000
Initial Charge	Nil	Nil	Nil	Nil
Distribution Charge	Nil	Nil	Nil	Nil
Redemption Charge	Nil	Nil	Nil	Nil
Investment Management Fee <sup>3</sup>	Up to 1.50%	0.75%	0.375%	Nil
Performance Fee	Yes	Yes	Yes	Nil <sup>4</sup>

As of 29 September 2018, the share class hedging charge of up to 0.03% will be borne by the currency hedged Share Classes.

<sup>2</sup> Other Share Classes described in section 1.3 of the Prospectus may also be available at the Management Company's discretion.

<sup>3</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate.

<sup>4</sup> The effective date for the removal of the performance fee for I shares inside the Fund is 29 September 2018.

## **Schroder Alternative Solutions UK Dynamic Absolute Return Fund**

### **Investment Objective**

The Fund aims to provide an absolute return of capital growth and income by investing in equity and equity related securities of small and mid-sized companies in the UK.

Absolute return means the Fund seeks to provide a positive return over a 12 month period in all market conditions, but this cannot be guaranteed and your capital is at risk.

### **Investment Policy**

The Fund invests in equity and equity related securities of small and mid-sized companies incorporated, head quartered, listed or having their principal business activities in the UK. Small and mid-sized companies are companies which, at the time of purchase, are considered to be in the bottom 80% by market capitalisation of the UK equities market.

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently.

The Fund may invest in money market instruments and hold cash. The Fund may exceptionally hold up to 100% of its assets in cash. The Fund may be capacity constrained and therefore the Fund or some of its Share Classes may be closed to new subscriptions or switches in, as described in section 2.3.

## **Leverage**

### **Definition**

Leverage is a way for the Fund to increase its exposure through borrowing of cash or securities and/or the use of financial derivative instruments.

Leverage is expressed as a ratio ("leverage ratio") between the exposure of the Fund and its Net Asset Value.

The leverage ratio is calculated in accordance with two methodologies for calculating the exposure of the Fund, the gross method and the commitment method as summarized in the below table.

Leverage ratio	Exposure calculation methodology
'Gross leverage ratio'	<p>The exposure calculated under the gross methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for gross exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable.</p> <p>Cash and cash equivalent (including cash borrowing that remain in cash or cash equivalent) held in the base currency of the fund are excluded from the exposure calculation.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>
'Commitment leverage ratio'	<p>The exposure calculated with the commitment methodology consists of (i) the sum of the absolute values of all positions, (ii) the sum of the equivalent positions in the underlying assets of all financial derivative instruments entered into by the Fund in accordance with the conversion methodologies for commitment exposure calculation, (iii) the exposure resulting from the reinvestment of cash borrowings where applicable and (iv) the exposure resulting from the reinvestment of collateral in relation to efficient portfolio management transactions where applicable. Under this method, netting and hedging arrangements can be taken into consideration under certain conditions.</p> <p>The ratio to which the above exposure is applied is the total assets (as calculated by the respective methodologies) divided by total net assets (as calculated in accordance with the Prospectus).</p>

The two ratios resulting from applying the gross or commitment methodology for calculating the exposure of the Fund supplement each other and provide a distinct representation of leverage.

Gross leverage is a conservative way of representing leverage as it does not:

- make a distinction between financial derivative instruments that are used for investment or hedging purposes. As a result strategies that aim to reduce risk will contribute to an increased level of leverage for the Fund.
- allow the netting of derivative positions. As a result, derivatives roll-overs and strategies relying on a combination of long and short positions may contribute to a large increase of the level of leverage when they do not increase or only cause a moderate increase of the overall Fund risk.

As a result, a Fund that exhibits a high level of gross leverage is not necessarily riskier than a Fund that exhibits a low level of gross leverage.

Commitment leverage is a more accurate representation of the true leverage of the Fund as it allows for hedging and netting arrangements under certain conditions.

By convention, the leverage ratio is expressed as a fraction. A leverage ratio of 1 or below means the Fund is unleveraged whereas a leverage ratio above 1 indicates the Fund is leveraged.

#### **Circumstances in which the Fund may use leverage and types and sources of leverage permitted**

Financial derivative instruments could be employed to generate additional exposure - leverage.

### Maximum level of leverage

Leverage ratio	Maximum leverage ratio
'Gross leverage ratio'	2.5
'Commitment leverage ratio'	2

### Liquidity risk management

The Management Company has established a liquidity risk process to assess and monitor the liquidity risk profile of the Fund on an on-going basis. This includes a liquidity stress test scenario combining a strong reduction in the market liquidity with large outflows. Due to the lack of publicly available data on trading volumes for certain fixed income securities, the monitoring may rely on an internal model to assess market liquidity.

In exceptional circumstances such as market liquidity dislocation and in the best interest of the Fund and its Shareholders, the Management Company has implemented special procedures to defer redemption requests on a temporary basis as further detailed under section 2.5 "Suspensions or Deferrals".

### Fund Characteristics

Portfolio Currency	GBP
Investment Manager	BennBridge Ltd
Dealing Cut-off Time	Subscription: 13:00 Luxembourg time 3 Business Days prior to the relevant Dealing Day  Redemption: 13:00 Luxembourg time 3 Business Days prior to the relevant Dealing Day
Dealing Frequency/Dealing Day	Weekly, each Wednesday (or on the following Business Day if Wednesday is not a Business Day) and on the last Business Day of each calendar month).
Settlement period of subscription and redemption proceeds <sup>1</sup>	Within 3 Business Days from the relevant Dealing Day
Performance Fee	20% (the multiplier) of the absolute outperformance over a High Water Mark, as per the methodology in section 3.1.1. sub-section "Performance Fees" (C).

### Share Class Features

Share Classes <sup>2</sup>	C	R
Minimum Initial Subscription	GBP 250,000	Nil
Minimum Additional Subscription	GBP 125,000	Nil
Minimum Holding	GBP 250,000	Nil
Initial Charge <sup>3</sup>	Up to 1.00%	Nil
Distribution Charge	Nil	Nil
Redemption Charge	Nil <sup>4</sup>	Nil
Investment Management Fee <sup>5</sup>	Up to 1.00%	Up to 1.00%
Performance Fee	Yes	Yes

<sup>1</sup> Different subscription and redemption procedures may apply if applications are made through Distributors.

<sup>2</sup> Other Share Classes described in section 1.3 of the Prospectus may also be available at the Management Company's discretion. Please also see section 1.3 for the specific features of R shares.

<sup>3</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate. The Initial Charge is expressed as a percentage of the total subscription amount. For example, up to 1% of the total subscription amount is equivalent to 1.01010% of the Net Asset Value per Share.

<sup>4</sup> However some charges for example redemption or administration charges may be deducted by the Distributor from the redemption proceeds as agreed separately between the Shareholders and the Distributor. Shareholders should check with the respective Distributors for details of the arrangement.

<sup>5</sup> Percentages are stated with reference to the net asset value of the Fund or relevant Class or the Net Asset Value per Share, as may be appropriate.

As of 29 September 2018, the share class hedging charge of up to 0.03% will be borne by the currency hedged Share Classes.

# Appendix IV

## Other information

- (A) A list of all Funds and Share Classes may be obtained, free of charge and upon request, from the registered office of the Company.
- (B) MSCI disclaimer (Source: MSCI): The information obtained from MSCI and other data providers, included in this Prospectus, may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used to create any financial instruments or products or any indices. The MSCI information and that of other data providers is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling or creating any MSCI information (collectively, the "MSCI Parties") and other data providers, expressly disclaim all warranties (including, without limitation any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party or other data provider have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.