

**12 January 2018**

Dear Shareholder,

## **Schroder International Selection Fund – Asian Bond Absolute Return**

The board of directors of Schroder International Selection Fund (the "Company") has decided to change the name, investment objective and policy and to reduce the management fee of Schroder International Selection Fund – Asian Bond Absolute Return (the "Fund") with effect from 1 March 2018 (the "Effective Date").

### **Name change**

The Fund's new name will be Schroder International Selection Fund – Asian Bond Total Return.

### **Investment Objective and Policy Change**

The Asian bond markets were historically relatively volatile versus bond markets in the US and Europe because of their historical low level of market development. However, over the past 10 years, Asian bond markets have grown in sophistication and depth and their relative volatility has dropped significantly. The manager believes that an absolute return strategy, which aims to preserve capital over a 12 month period, served well in the past when the relative volatility was higher. A total return strategy, which has a longer investment horizon, will be better able to provide investors looking to capitalise on opportunities in Asian bond markets in the future. Therefore, the Fund will change from an absolute return strategy to a total return strategy from the Effective Date.

In addition, from the Effective Date the Fund will be able to invest in bonds from a wider range of Asian countries, as the definition of Asia will be expanded for this Fund to include the west Asian countries listed in the new investment policy below.

The investment objective and policy of the Fund, which are contained in the Company's prospectus, will be changed from:

#### **"Investment Objective**

The Fund aims to provide an absolute return of capital growth and income by investing in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies in Asia (excluding Japan).

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 at least two-thirds of its assets in fixed and floating rate securities issued by governments, government agencies, supra-nationals and companies in Asia (excluding Japan), derivatives related to the above instruments and currencies. As the Fund is index-unconstrained it is managed without reference to an index.

The Fund may invest in mainland China through the Renminbi Qualified Foreign Institutional Investor ("RQFII") scheme or Regulated Markets.

The Fund may invest up to 50% of its assets in securities that have a below investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies for rated bonds and implied Schroders ratings for non-rated bonds).

The Fund may also invest in money market instruments. In aiming to deliver an absolute return, a substantial part of the Fund may be held in cash which may include short term developed market government bonds.

The Fund may use derivatives (including total return swaps), long and short, with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. 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 and short exposure on fixed and floating rate securities. The gross exposure of total return swaps will not exceed 60% and is expected to remain within the range of 0% to 30% of the Net Asset Value. In certain circumstances this proportion may be higher."

to:

### **"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 Asia.

### **Investment Policy**

The Fund invests at least two-thirds of its assets in fixed and floating rate securities, derivatives related to these securities and currencies. The fixed and floating rate securities are issued by governments, government agencies, supra-nationals and companies in Asia. For the purposes of this Fund, Asia includes the following west Asian countries: Bahrain, Israel, Lebanon, Oman, Qatar, Saudi Arabia, Turkey and United Arab Emirates.

The Fund is designed to participate in rising markets whilst aiming to mitigate losses in falling markets through the use of derivatives. The mitigation of losses cannot be guaranteed.

The Fund may invest in mainland China through the Renminbi Qualified Foreign Institutional Investor ("RQFII") scheme or Regulated Markets.

The Fund may invest up to 50% of its assets in securities that have a below investment grade credit rating (as measured by Standard & Poor's or any equivalent grade of other credit rating agencies for rated bonds and implied Schroders ratings for non-rated bonds). The Fund may (exceptionally) hold 100% of its assets in money market instruments or cash.

The Fund may use derivatives (including total return swaps), long and short, with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. 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 and short exposure on fixed and floating rate securities. The gross exposure of total return swaps will not exceed 60% and is expected to remain within the range of 0% to 30% of the Net Asset Value. In certain circumstances this proportion may be higher."

### Management Fee Reduction

We are pleased to inform you that the management fee of the Fund will be reduced. The new fee rates are as follows:

Share Classes	Current Management Fee	New Management Fee
A Shares	1.25%	1.00%
A1 Shares	1.25%	1.00%
B Shares	1.25%	1.00%
C Shares	0.75%	0.60%
D Shares	1.25%	1.00%

The ISIN codes of the share classes affected by the above changes are listed in the appendix of this letter.

We hope that you will choose to remain invested in the Fund following these changes, but if you wish to redeem your holding in the Fund or to switch into another of the Company's sub-funds before the Effective Date you may do so at any time up to and including deal cut-off on 28 February 2018. Schroder Investment Management (Luxembourg) S.A. will execute your redemption or switch instructions in accordance with the provisions of the Company's prospectus, free of charge, although in some countries local paying agents, correspondent banks or similar agents might charge transaction fees. Local agents might also have a local deal cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach Schrodgers in Luxembourg before the deal cut-off on 28 February 2018.

If you have any questions or would like more information about Schrodgers' products please contact your local Schrodgers office, your usual professional adviser, or Schroder Investment Management (Luxembourg) S.A. on (+352) 341 342 212.

Yours faithfully,



**Cord Rodewald**  
Authorised Signatory



**Alastair Woodward**  
Authorised Signatory

**Appendix**

ISIN codes of share classes affected by the changes

<b>Share class</b>	<b>Share class currency</b>	<b>ISIN code</b>
A Accumulation	USD	LU0106250508
A1 Accumulation	USD	LU0133703115
B Accumulation	USD	LU0106250763
C Accumulation	USD	LU0106251068
I Accumulation	USD	LU0134333219
A Distribution	USD	LU0091253459
A1 Distribution	USD	LU0160363239
C Distribution	USD	LU0091253616
D Distribution	USD	LU0417517975
Z Accumulation	USD	LU1281941424
Z Distribution	USD	LU1281941697
A1 Accumulation	EUR	LU0251569942
A1 Distribution	EUR	LU0251570361
Z Accumulation	EUR	LU1281941770
Z Distribution	EUR	LU1281941853
A Distribution	HKD	LU0532872552
Z Distribution	HKD	LU1281941937
A Accumulation	EUR Hedged	LU0327381843
A1 Accumulation	EUR Hedged	LU0327382148
C Accumulation	EUR Hedged	LU0327382064
A1 Distribution	EUR Hedged	LU0327382494
Z Accumulation	EUR Hedged	LU1281942075
Z Distribution	EUR Hedged	LU1281942158
A Distribution	GBP Hedged	LU0242606829

Z Distribution	GBP Hedged	LU1281942232
A Accumulation	SGD Hedged	LU0358858032
Z Accumulation	SGD Hedged	LU1281942315