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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. The directors of Schroder International Selection Fund accept full responsibility for the accuracy of the information contained in this letter and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement misleading.**

**3 April 2017**

Dear Shareholder,

### **Schroder International Selection Fund – Hong Kong Dollar Bond (the "Fund")**

As a result of recent regulatory changes in the People's Republic of China ("PRC") which opens up the China Interbank Bond Market to eligible foreign institutional investors to access PRC onshore bonds directly ("China Interbank Bond Market Initiative"), the board of directors of Schroder International Selection Fund (the "Company") has decided to provide greater flexibility for the Fund to invest directly in PRC onshore bonds through the China Interbank Bond Market Initiative with immediate effect.

In this connection, the additional information of the Fund as disclosed in the "Fund Details" section of the Hong Kong Covering Document of the Company will be enhanced as follows:

#### **"Hong Kong Dollar Bond**

For clarification, the Fund may invest in the PRC to achieve its investment objective through the China Interbank Bond Market Initiative. It is intended that the exposure of the Fund to PRC onshore investment through the China Interbank Bond Market Initiative will be less than 30% of the Net Asset Value.

The Fund may not invest:-

- (a) more than 10% of its Net Asset Value in Urban Investment Bonds (城投資), which means debt instruments issued by local government financing vehicles ("LGFVs") and traded on the PRC exchange-traded bond markets and interbank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects;
- (b) more than 5% of its Net Asset Value in asset-backed securities (including mortgage-backed securities and asset-backed commercial papers); and
- (c) in structured deposits or structured products.

The Fund does not have explicit restrictions on the minimum credit ratings of debt securities it may invest through the China Interbank Bond Market Initiative. The aggregate investment in debt securities with a credit rating below investment grade (i.e. rated below BBB- or equivalent by any internationally recognised credit rating agency, such as Standard & Poor's, Moody's or Fitch, or rated BB+ or below by any PRC domestic credit rating agency; whenever different ratings are assigned by different credit rating agencies, the lowest credit ratings assigned to the security will be adopted by the Fund) or unrated debt securities through the China Interbank Bond Market Initiative will not exceed 20% of the Fund's Net Asset Value. For this purpose, if the relevant

security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. If both the security and the relevant issuer are not rated, then the security will be classified as unrated.

Investors may refer to the section headed "China Interbank Bond Market" of this document for further information about the China Interbank Bond Market Initiative and the section headed "Overview of the PRC debt securities market" in Appendix I of this document for further information about debt securities issued in the PRC. "

All other key features of the Fund will remain the same. There will be no change in the Fund's investment style, investment philosophy, investment strategy and risk profile.

For further information relating to the CIBM, please refer to the Appendix for the "China Interbank Bond Market" section and the "Risks Associated with China Interbank Bond Market ("CIBM")", which will be inserted in the Hong Kong Covering Document of the Company.

Costs of making these changes including regulatory and shareholder communication costs will be borne by Schroder Investment Management (Luxembourg) S.A. which is the Company's management company.

This notification is to provide you with updated information in relation to the Fund. You are not required to take any action with respect to this letter. If you have any questions or would like more information, please contact your usual professional advisor or Schroders Investor Hotline on (+852) 2869 6968.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Alastair Woodward', written over a light grey rectangular background.

**Alastair Woodward**  
Authorised Signatory

A handwritten signature in black ink, appearing to be 'Cord Rodewald', written in a cursive style.

**Cord Rodewald**  
Authorised Signatory

## Appendix

### China Interbank Bond Market

China interbank Bond Market ("**CIBM**") is the over-the-counter market for bonds issued and traded in mainland China. A new scheme was launched in 2016 to open up CIBM to eligible foreign institutional investors to access onshore bonds directly ("**CIBM Initiative**"). Under this scheme, foreign institutions can trade bonds directly through onshore settlement agents (i.e. banks) in mainland China. Unlike QFII and RQFII, there are no specific quota limits imposed on the foreign institutional investor.

Participation in the CIBM by foreign institutional investors (such as the Funds) is governed by rules and regulations as promulgated by the Mainland Chinese authorities, i.e., the People's Bank of China ("**PBOC**") and the State Administration of Foreign Exchange ("**SAFE**"). Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the "Announcement (2016) No 3" issued by the PBOC (中國人民銀行公告[2016]第3號) on 24 February 2016;
- (ii) the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;
- (iii) the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and
- (iv) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in mainland China, foreign institutional investors who wish to invest directly in the CIBM may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation but filing with the Shanghai Head Office of PBOC in respect of an investor's anticipated investment size has to be made.

In terms of fund remittance and repatriation, foreign investors (such as the Funds) may remit investment principal in RMB or foreign currency into Mainland China for investing in the CIBM. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. Where a Fund repatriates funds out of mainland China, the ratio of RMB to foreign currency ("**Currency Ratio**") should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

### Risks Associated with China Interbank Bond Market ("**CIBM**")

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. A Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that a Fund transacts in the CIBM, the Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Although there is no quota limitation regarding investment via the CIBM Initiative, the Fund is required to make further filings with the PBOC if it wishes to increase its anticipated investment size. There is no guarantee the PBOC will accept such further filings. In the event any further filings for an increase in the

anticipated investment size are not accepted by the PBOC, the Fund's ability to invest in the CIBM will be limited and the performance of the Fund may be unfavourably affected as a result.

Investing in the CIBM is also subject to certain restrictions imposed by the mainland Chinese authorities on fund remittance and repatriation which may potentially affect the Fund's performance and liquidity. Any non-compliance with or failure to meet the fund remittance and repatriation requirements may result in regulatory sanctions which in turn may have an adverse impact on the portion of the Fund's investment via the CIBM Initiative. Further, there is no assurance that the fund remittance and repatriation requirements in relation to investment in CIBM will not be changed as a result of change in government policies or foreign exchange control policies. The Fund may incur loss in the event such change in the fund remittance and repatriation requirements in relation to investment in CIBM occurs.

Since the relevant filings and account opening for investment in the CIBM have to be carried out via an onshore settlement agent, the Fund is subject to the risks of default or errors on the part of the onshore settlement agent. The Fund may also incur losses due to the acts or omissions of the onshore settlement agent in the process of settling any transactions. As a result, the net asset value of the Fund may be adversely affected.

In addition, investors should note that cash deposited in the cash account of the Fund with the relevant onshore settlement agent will not be segregated. In the event of the bankruptcy or liquidation of the onshore settlement agent, the Fund will not have any proprietary rights to the cash deposited in such cash account and may face difficulty and/or encounter delays in recovering such assets, or may not be able to recover it in full or at all, in which case the Fund will suffer losses.

The CIBM is also subject to regulatory risks. The relevant rules and regulations on investment in the CIBM is subject to change which may have potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account opening or trading on the CIBM, the Fund's ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, the Fund may suffer substantial losses as a result.

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此乃重要函件，務請閣下垂閱。閣下如對本函件的内容有任何疑問，應尋找獨立專業顧問的意見。施羅德環球基金系列的董事就本函件所載資料之準確性承擔全部責任，並在作出一切合理查詢後確認，盡其所知所信，本函件並無遺漏足以令本函件的任何陳述具誤導成分的其他事實。

親愛的股東：

### 施羅德環球基金系列 – 港元債券（「本基金」）

由於中華人民共和國（「中國」）最近在監管方面的變更，開放了中國銀行間債券市場讓合資格海外機構投資者直接進入中國境內債券市場（「中國銀行間債券市場項目」），施羅德環球基金系列（「本公司」）董事會決定即日起為本基金提供更大的靈活性，讓本基金可通過中國銀行間債券市場項目直接投資於中國境內債券。

就此，更多有關本基金的資料將於本公司香港說明文件內「基金資料」一節更詳細地披露如下：

#### 「港元債券

為清晰說明，本基金可通過中國銀行間債券市場項目投資於中國，以達致其投資目標。本基金通過中國銀行間債券市場項目對中國境內投資作出的投資不擬超過資產淨值的 30%。

本基金不得：

- (a) 將其多於 10% 的資產淨值投資於城投債，即由地方政府融資平台（「地方政府融資平台」）所發行，並在中國交易所買賣債券市場及銀行間債券市場進行買賣的債務工具。該等地方政府融資平台是由地方政府及／或其聯屬機構成立的獨立法定實體，為公益投資或基建項目進行融資；
- (b) 將其多於 5% 的資產淨值投資於資產抵押證券（包括抵押擔保證券及資產抵押商業票據）；及
- (c) 投資於結構性存款或結構性產品。

本基金沒有明確限制經中國銀行間債券市場項目投資的債務證券的最低信貸評級。經中國銀行間債券市場項目投資，信貸評級低於投資級別（即任何國際認可信貸評級機構，如標準普爾、穆迪或惠譽評為 **BBB-**（或相等級別）以下級別，或由任何中國國內信貸評級機構評為 **BB+** 或以下級別；當各信貸評級機構的評級有別，子基金將採用當中最底的級別。）或未獲評級的債務證券總投資將不會超過本基金資產淨值的 20%。為此，如有關證券本身沒有信貸評級，可參考該證券發行商的信貸評級。如證券和其發行商均沒有評級，則證券將被分類為未獲評級的證券。

有關中國銀行間債券市場項目的更多資料，投資者可參閱本文件標題為「中國銀行間債券市場」一節。有關在中國發行的債務證券的更多資料，請參閱本文件附錄 I 標題為「中國債務證券市場概覽」一節。」

本基金的其他主要特色將維持不變。本基金之投資風格、投資理念、投資策略和風險概況將維持不變。

有關中國銀行間債券市場的更多資料，請參閱附錄之「中國銀行間債券市場」一節和「有關中國銀行間債券市場的風險」。此等內容將載於本公司之香港說明文件。

有關此等更改的費用（包括監管機構和通知股東的費用）將由本公司管理公司 **Schroder Investment Management (Luxembourg) S.A.** 承擔。

本通知書向閣下提供有關本基金的最新資料，閣下毋須就本函採取任何行動。閣下如有任何疑問或需要更多資料，請聯絡閣下的專業顧問或致電施羅德投資熱綫電話：（+852）2869 6968 查詢。

此致



**Alastair Woodward**  
授權簽署



**Cord Rodewald**  
授權簽署

謹啟

2017年4月3日

## 附錄

### 中國銀行間債券市場

中國銀行間債券市場（「中國銀行間債券市場」）是於中國內地發行和交易的債券的場外交易市場。在 2016 年推出的一項新的制度，開放了中國銀行間債券市場讓合資格海外機構投資者直接進入境內債券市場（「中國銀行間債券市場項目」）。依此制度，海外機構投資者可以直接通過中國內地之境內結算代理人（即銀行）買賣債券。此制度有異於 QFII 和 RQFII，不會向海外機構投資者設立特定的額度限制。

海外機構投資者（例如本基金）於中國銀行間債券市場的參與受中國內地監管機關（即中國人民銀行（「人民銀行」）及國家外匯管理局（「國家外匯管理局」））所頒佈的規則及規例所規管。該等規則及規例可經不時修訂及包括（但不限於）：

- (i) 於 2016 年 2 月 24 日由人民銀行發出的「中國人民銀行公告 2016 第 3 號」；
- (ii) 於 2016 年 5 月 27 日由人民銀行上海總部發出的「境外機構投資者投資銀行間債券市場備案管理實施細則」；
- (iii) 於 2016 年 5 月 27 日由國家外匯管理局發出的「國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知」；及
- (iv) 由有關當局頒佈的任何其他適用規例。

根據中國內地現行規例，擬直接投資中國銀行間債券市場的海外機構投資者可通過境內結算代理人進行，該結算代理人負責向有關當局提出相應報備及開戶手續，並不涉及額度限制，惟須要將投資者預期投資金額報備人民銀行上海總局。

有關資金匯入及匯出，海外投資者（例如本基金）可以人民幣或外幣將投資本金匯入中國內地，以投資中國銀行間債券市場。投資者須於完成報備人民銀行上海總局後的 9 個月內匯入相等於預期投資金額最少 50% 的投資本金，否則須通過境內結算代理人更新報備。倘若本基金算打中國從內地匯出資金，人民幣與外幣的比例（「貨幣比例」）一般須對應投資本金匯入中國內地時的原有貨幣比例，最高可偏離 10%。

### 有關中國銀行間債券市場的風險

由於成交量偏低而引致市場波動及潛在缺乏流動性，於中國銀行間債券市場買賣的某些債務證券的價格亦可能因此而大幅波動。因此，本基金於該等市場的投資會承受流動性及波動性風險。此等證券的買賣差價可能比較闊，因而令本基金於出售該等投資時可能產生顯著的交易及變現費用，更可能蒙受損失。

如本基金於中國銀行間債券市場交易，則本基金亦可能面對有關結算程序及交易對手方違約的風險。與本基金已訂立交易的交易對手方可能並無履行其透過交付相關證券或支付款項而結算交易的責任。

縱使經中國銀行間債券市場項目投資並沒有額度限制，如本基金有意增加其預期投資金額，必須向人民銀行提交額外報備，但不保證人民銀行會接納該等額外報備。當就增加預期投資金額提交之任何額外報備不獲人民銀行接納，本基金投資於中國銀行間債券市場之能力將會受限，其表現可能因此而受負面影響。

投資於中國銀行間債券市場亦須遵守中國內地機關施加有關資金匯入匯出的若干限制，這可能影響本基金之表現和流動性。任何違反或未能符合資金匯入匯出之要求者，可能導致監管機構之懲處，或會繼而對本基金經中國銀行間債券市場項目投資的部份造成負面影響。再者，沒有保證有關投資於中國銀行間債券市場的資金匯入匯出要求，不會因政府政策或外匯控制政策之改變而可維持不變。當有關投資於中國銀行間債券市場的資金匯入匯出的要求改變，本基金可能蒙受損失。

由於中國銀行間債券市場投資的相關報備及開戶均由境內結算代理人執行，本基金須承受境內結算代理人出現差錯或違約的風險。本基金亦可因境內結算代理人在結算任何交易的過程中的行為或違漏而蒙受損失。因此，本基金之資產淨值或會受負面影響。

此外，投資者應注意子基金在相關境內結算代理人的現金帳戶的現金存款將不是獨立存放的。如境內結算代理人破產或清盤，本基金對該等現金帳戶內的現金款將不會擁有任何獨有的權利，追回該等資產時可能面對困難和／或遇到延誤，或未能追回全數或完全不能追回，此等情況下本基金將蒙受損失。

中國銀行間債券市場亦會面對監管風險。中國銀行間債券市場投資的相關規則及條例可能變更，可能有潛在追溯效力。倘若相關中國內地當局暫停中國銀行間債券市場的開戶或交易，本基金投資於中國銀行間債券市場的能力將受限制，以及當耗盡其他投資選擇時，本基金可能因而承受重大的損失。