

IMPORTANT: This letter is important and requires your attention. If you have any questions about the content of this letter, you should seek independent professional advice. Schroder Investment Management (Hong Kong) Limited being the manager of the following funds accepts full responsibility for the accuracy of the information contained in this letter and confirms, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement misleading.

17 September 2018

Dear Unitholder

Schroder Balanced Investment Fund, Schroder Capital Stable Fund, Schroder Growth Fund and Schroder Stable Growth Fund (each a “**Schroder Unit Trust**” and together “**Schroder Unit Trusts**”)

We are writing to inform you of a number of changes to the Schroder Unit Trusts, which are summarised below. Save as specified below, all these changes will take immediate effect.

Unless otherwise specified, capitalized terms herein shall have the same meaning as those defined in the explanatory memorandum (“**Explanatory Memorandum**”) of each Schroder Unit Trust.

(A) Dilution and dilution adjustment

Each Schroder Unit Trust is single priced and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions, redemptions and/or switching in and out of the Schroder Unit Trust. This is known as “dilution”. In order to counter this and to protect unitholders’ interests, with effect from 19 October 2018, the Manager will apply “dilution adjustment” as part of its daily valuation policy. This will mean that in certain circumstances the Manager (if in its opinion in good faith it is in the interest of unitholders to do so) will make adjustments in the calculations of the net asset value per unit, to counter the impact of dealing and other costs on occasions when these are deemed to be significant.

In the usual course of business the application of a dilution adjustment will be triggered mechanically and on a consistent basis.

The need to make a dilution adjustment will depend upon the net value of subscriptions, switching and redemptions received by a Schroder Unit Trust for each dealing day. The Manager therefore reserves the right to make a dilution adjustment where a Schroder Unit Trust experiences a net cash movement which exceeds a threshold set by the Manager from time to time of the previous dealing day's total net asset value.

The Manager may also make a discretionary dilution adjustment if, in its opinion, it is in the

interest of existing unitholders to do so.

Where a dilution adjustment is made, it will increase the net asset value per unit when there are net inflows into a Schroder Unit Trust and decrease the net asset value per unit when there are net outflows. The net asset value per unit of each unit class in the Schroder Unit Trusts will be calculated separately but any dilution adjustment will, in percentage terms, affect the net asset value per unit of each unit class identically.

As dilution is related to the inflows and outflows of money from a Schroder Unit Trust, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Manager will need to make such dilution adjustments.

Because the dilution adjustment for a Schroder Unit Trust will be calculated by reference to the costs of dealing in the underlying investments of the Schroder Unit Trust, including any dealing spreads, which can vary with market conditions, this means that the amount of the dilution adjustment can vary over time but will not exceed 2% of the net asset value per unit of the relevant Schroder Unit Trust on the relevant Valuation Date.

To reflect the relevant changes set out above, the Explanatory Memorandum and the trust deed ("**Trust Deed**") of each Schroder Unit Trust will be amended.

Save as described above, all other key features of the Schroder Unit Trusts, including fee level, fee structure, the way the Schroder Unit Trusts are managed and risk profile, remain unchanged. The costs incurred in relation to these changes including legal costs for amending the Explanatory Memorandum and the Trust Deed are estimated to be HKD 75,000 for each Schroder Unit Trust and will be borne by the relevant Schroder Unit Trust.

(B) Other enhancement of disclosures

a. Risk factors

The section headed "RISK FACTORS" in the Explanatory Memorandum will be revised for the purpose of enhancement to align with the disclosure requirements of the Hong Kong Securities and Futures Commission (the "SFC")'s Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds ("**Guide**").

b. Valuation and price calculation

In accordance with the Guide, the following amendments in relation to valuation and price calculation will be made:

The Manager may, with the prior consent in writing of the Trustee, permit some other method(s) of valuation to be used if it considers that the use of such other method(s) is required to reflect the fair value of a Schroder Unit Trust's assets including where it considers that the existing valuation methods appear impossible or inappropriate due to extraordinary circumstances or events. In addition, the Manager may, with the prior consent in writing of the Trustee, adjust the value of any investment of the Schroder Unit Trust if it considers that such adjustment is required to reflect the fair value thereof and may in making such adjustment have regard to currency, applicable rate of interest, maturity, marketability and other relevant considerations.

For further details, please refer to the section headed "VALUATION AND PRICE CALCULATION" of the Explanatory Memorandum.

c. Automatic exchange of financial account information

A new sub-section headed "Automatic exchange of financial account information" will be

included under the section headed “TAXATION” of the Explanatory Memorandum, as summarised below.

The Standard for Automatic Exchange of Financial Account Information (“**AEOI**”) under the Inland Revenue Ordinance requires financial institutions in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with financial institutions, 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. Under the AEOI, details of unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

Each Schroder Unit Trust is required to comply with the requirements of AEOI as implemented by Hong Kong, which means that it and/or its agents shall collect and provide to the IRD tax information relating to unitholders and prospective investors.

By investing in the Schroder Unit Trusts and/or continuing to invest in the Schroder Unit Trusts, unitholders should acknowledge that they may be required to provide additional information to the Schroder Unit Trusts, the Manager and/or the Schroder Unit Trusts’ agents in order for the Schroder Unit Trusts to comply with AEOI. The unitholder’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 unitholder 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 Schroder Unit Trusts.

d. Liquidity risk management

A new section headed “LIQUIDITY RISK MANAGEMENT” will be included in the Explanatory Memorandum to provide further information about the Manager’s policy on liquidity risk management, as summarised below.

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Schroder Unit Trusts and to ensure that the liquidity profile of the investments of the Schroder Unit Trusts will facilitate compliance with the respective Schroder Unit Trust’s obligation to meet redemption requests.

As part of its liquidity management policy, the Manager would regularly assess the liquidity of a Schroder Unit Trust’s assets under the current and likely future market conditions. The Manager’s liquidity policy takes into account the investment strategy; the liquidity profile; the redemption policy; the dealing frequency; the ability to enforce redemption limitations and the fair valuation policies of the Schroder Unit Trust.

For further details, please refer to section headed “LIQUIDITY RISK MANAGEMENT” in the Explanatory Memorandum.

e. Revised Fund Manager Code of Conduct

The Manager is licensed by the SFC for type 9 (asset management) regulated activity and accordingly is subject to regulation by the SFC, including the SFC’s Fund Manager

Code of Conduct (the "Fund Manager Code"). The SFC will revise the Fund Manager Code with effect from 17 November 2018 to include, among others, certain disclosure obligations on companies licensed by the SFC for type 9 regulated activity in relation to funds they manage. The disclosure obligations relate to leverage, securities lending, repurchase and reverse repurchase transactions, custody risk, liquidity risk and liquidity risk management and other risk management policies.

The Explanatory Memorandum of each of the Schroder Unit Trusts will be amended to reflect the disclosure requirements of the revised Fund Manager Code.

(C) Amendments to trust deed

The Trust Deed of each Schroder Unit Trust is amended to conform with the specified requirements of the SFC's Code on Unit Trusts and Mutual Funds ("**Code**") and the Guide. A summary of the related amendments is set out at Annex 1 to this Letter.

The Explanatory Memorandum and the Product Key Fact Statement of each of the Schroder Unit Trusts will be revised to reflect the relevant changes set out above and the same will be available on or around 19 October 2018. Copies of the amended Explanatory Memoranda and Product Key Fact Statements will be available upon request.

The amended Trust Deed of each of the Schroder Unit Trusts will be available on or around 19 October 2018. Copies of the Trust Deeds, as amended, may be obtained at a reasonable cost, and may be inspected free of charge during normal working hours at the offices of the Manager and the Trustee.

If you would like more information, please contact your usual professional advisor or Schroders Investor Hotline on (+852) 2869 6968.

Yours faithfully,

For and on behalf of

Schroder Investment Management (Hong Kong) Limited



Chris Durack

Chief Executive Officer, Hong Kong

Annex 1

Summary of amendment to the Trust Deed of Schroder Unit Trusts to conform with the specified requirements of the Code and the Guide

1.	Clarificatory amendment that the Manager and the Trustee shall in the performance of their respective duties under the Trust Deed at all times comply with the applicable provisions of the Code, and shall act at all times in compliance with the Code, and the Manager shall act in the best interests of unitholders.
2.	Clarificatory amendment that notwithstanding any other provisions in the Trust Deed, nothing in the Trust Deed may provide that the Trustee or Manager of the Schroder Unit Trust can be exempted from any liability to unitholders imposed under Hong Kong law or breaches of trust, nor may they be indemnified against such liability by unitholder.
3.	Clarificatory amendment regarding the Trustee's liability for the acts and omissions of its nominees and agents in relation to assets forming part of the property of the Schroder Unit Trust.
4.	Clarificatory amendment that notwithstanding any other provisions in the Trust Deed, the Manager may with the prior consent in writing of the Trustee adjust the value of any cash, deposits and/or investments or permit some other method of valuation to be used if such adjustment is required to reflect the fair value.
5.	Clarificatory amendment that section 41O of the Trustee Ordinance shall not apply to the extent that is inconsistent with the relevant clause in the Trust Deed.
6.	Clarificatory amendment that the Manager shall convene a separate meeting of unitholders of a particular class or classes of units if interests of unitholders of a particular class or classes of units are affected or there is a possibility of a conflict of interest between unitholders of a particular class or classes of units.