

Issuer: Schroder Investment Management (Hong Kong) Limited

13 April 2022

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

***The fund may use Qualified Foreign Investor ("QFI") status of Schroder Investment Management Limited to invest primarily in the mainland China securities markets.***

***The fund is not denominated in Renminbi ("RMB"). All subscriptions and redemptions are in US dollar ("USD"), RMB or other major currencies. The fund involves multi-currency conversions and is therefore subject to risk of higher costs and other multi-currency conversion risks.***

### Quick facts

<b>Manager:</b>	Schroder Investment Management (Hong Kong) Limited	
<b>QFI Holder:</b>	Schroder Investment Management Limited	
<b>Trustee:</b>	HSBC Institutional Trust Services (Asia) Limited	
<b>QFI Custodian:</b>	Bank of Communications Co., Ltd.	
<b>Ongoing charges over a year:</b>	Class A USD Acc	1.84%*
	Class C USD Acc	1.24%*
	Class A RMB Acc	1.84%*
	Class A HKD Acc	1.84%*
<b>Dealing frequency:</b>	Daily	
<b>Base currency:</b>	USD	
<b>Dividend policy:</b>	Dividend will not be distributed but will be reinvested into the fund.	
<b>Financial year end of this fund:</b>	31 December	
<b>Minimum investment:</b>	Class A: Initial – USD1,000, RMB5,000 or HKD5,000; Subsequent Investment – USD1,000, RMB5,000 or HKD5,000	
	Class C: Initial – USD500,000; Subsequent Investment – USD500,000	

\* The ongoing charges figure is based on the annualised expenses for the interim period ended 30 June 2021. The figure may vary from year to year.

## What is this product?

This is a sub-fund of the Schroder Umbrella Fund II constituted in the form of an umbrella unit trust established under the laws of Hong Kong. The fund is denominated in USD, not in RMB. The fund will primarily invest (i.e. not less than 70% of its net assets) in mainland China securities via QFI status of Schroder Investment Management Limited.

## Objectives and investment strategy

The fund's objective is to achieve sustainable and long term capital appreciation in US dollars by investing primarily (i.e. not less than 70% of its net assets) in the mainland China capital markets, mainly in securities of companies in the mainland China securities market, currently Shenzhen Stock Exchange ("SZSE") and Shanghai Stock Exchange ("SSE"). For the purpose of the investment objective and policy, mainland China excludes Hong Kong and Macau Special Administrative Regions and Taiwan.

The fund will seek to achieve the investment objective primarily through investment in A-Shares of mainland China companies directly via Qualified Foreign Investor ("QFI") status of Schroder Investment Management Limited and/or the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "Stock Connect") and, to a limited extent up to 10% of its net assets, indirectly via other instruments linked to A-Shares such as listed A-Share index futures on a temporary basis if the manager considers it appropriate.

The Stock Connect is a securities trading and clearing linked pilot programme with an aim to achieve mutual stock market access between mainland China and Hong Kong. Under the Shanghai-Hong Kong Stock Connect, the fund, through their Hong Kong brokers may trade certain eligible shares listed on the SSE. These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on The Stock Exchange of Hong Kong Limited ("SEHK"), except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are placed under "risk alert".

Under the Shenzhen-Hong Kong Stock Connect, the fund, through their Hong Kong brokers may trade certain eligible shares listed on the SZSE. These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed shares of companies which have issued both A-Shares and H-Shares, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are placed under "risk alert".

To the extent permitted by the applicable regulations and investment restrictions, the fund may also invest in other types of investments including, but not limited to, securities investment funds, stock index futures and other instruments from time to time approved by China Securities Regulatory Commission for investment by a QFI.

The fund may invest up to 100% of its net assets in A-Shares and up to 20% of its net assets in other types of permissible investments under QFI regulations.

The fund will invest at least 70% of its net asset value in China equities in or outside mainland China.

The fund may invest in instruments denominated in currencies other than RMB. Assets of the fund not invested may be held in various forms of liquid investments namely deposits and money market instruments.

The fund will not invest more than 10% of its net asset value in each of the following instruments: (i) bonds which are rated below investment grade (i.e. rated below BBB-/Baa3 (or its equivalent) by any internationally recognized credit agency, such as Standard & Poor's, Moody's or Fitch, or rated AA- or below by any mainland China domestic credit rating agency) or unrated bonds at the time of acquisition; (ii) urban investment bonds; and (iii) asset-backed securities, including asset backed commercial papers. Urban investment bonds refer to debt instruments issued by the mainland China local government financing vehicles ("LGFVs") in mainland China listed bond and interbank bond-market. These LGFVs are separate legal entities established by the mainland China local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

Whenever different ratings are assigned by different credit rating agencies, the lowest credit ratings assigned to the security will be adopted by the fund. 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. The manager will assess credit risks of fixed income instruments based on quantitative and qualitative fundamentals, including without limitation the issuer's leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, firm's competitive position and corporate governance issue.

Subject to the applicable investment restrictions, the fund may also utilize financial derivative instruments such as warrants, options and futures for the purposes of hedging and investment, although the manager is not obligated to do so.

It is not the manager's current intention to engage in securities lending transactions, sale and repurchase transactions and reverse repurchase transactions in respect of the fund.

### **Use of derivatives/investment in derivatives**

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

### **What are the key risks?**

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

#### **1. Equity investment risk**

- The fund's investment in equity securities is subject to the risk that the market value may fluctuate due to numerous factors such as changes in investment sentiment, political environment, economic environment, issuer-specific factors, regional or global economic instability, currency and interest rate fluctuations.

#### **2. Risk associated with investing in the mainland China market**

Investing in the securities market in mainland China is subject to the risks not typically associated with investment in developed markets including risks of nationalization or expropriation of assets, government control and intervention, regulatory risk, legal risk and accounting risk, settlement risk and the following risks.

- **Change in political, social or economic policy risk** – The investment will be sensitive to any significant change in political, social or economic policy in mainland China which may adversely affect the capital growth and thus the fund performance.
- **Liquidity and volatility risk** – Compared with the choice available in other markets, there is a low level of liquidity in the A-Shares and B-Shares of the mainland China markets. This could potentially lead to severe price volatility. The bid and offer spreads of the price of such securities may be large and the fund may incur significant trading costs.
- **Mainland China taxation consideration** – The fund may be subject to withholding and other taxes for investing in the securities market in mainland China. The tax laws, regulations and practice in mainland China are constantly changing, and may be changed with retrospective effect. In addition, the value of the fund's investment in mainland China and the amount of its income and gains could also be adversely affected by an increase in rates of taxation or changes in the basis of taxation.

The manager, having taken and considered independent professional tax advice, (i) will not be providing for mainland China withholding income tax ("WIT") in respect of realized and unrealized capital gains arising from the trading of A-Shares with effect from 17 November 2014; (ii) released all mainland China WIT provision on gains realized prior to 18 December 2015 from the trading of mainland China debt securities; (iii) will not be providing for any mainland China WIT on gains realized from the trading of mainland China debt securities with effect from 18 December 2015; (iv) will provide for WIT of 10% on interest income accrued prior to 7 November 2018 from mainland China issued debt securities; (v) recognized a provision for value-added tax ("VAT") at 6.3% on relevant items arising before 7 November 2018; and (vi) will not be providing for mainland China WIT and VAT on interest income from mainland China issued debt securities during the period from 7 November 2018 to 6 November 2021. Should there be a change in mainland China tax law and practices in the future which resulted in such gains being subject to (WIT), the net asset value of the fund would suffer as the fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new investors will be disadvantaged.

### 3. Concentration Risk

- The fund may invest substantially in the equities in mainland China and is likely to be more volatile than a broad-based fund. The value of the fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the mainland China market.

### 4. Currency and exchange risk

- A majority of the fund's assets will be invested into investments denominated in RMB, which is different from the base currency of the fund, being USD. Also a unit class may also be denominated in a currency other than the base currency of the fund. The net asset value of the fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

### 5. Renminbi ("RMB") currency risk and RMB classes related risk

- RMB is currently not freely convertible and is subject to foreign exchange control policies and restrictions.
- There can be no assurance that RMB will not be subject to depreciation. Any depreciation of RMB could adversely affect the value of investor's investment in the fund.
- Classes denominated in RMB will be valued with reference to offshore RMB ("CNH") rather than onshore RMB ("CNY"). While CNH and CNY represent the same currency, they are traded at different rates. Any divergence between CNH and CNY may adversely impact investors.
- Non-RMB based investors in classes denominated in RMB may have to convert HK dollar or other currency(ies) into RMB when investing in classes denominated in RMB and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to HK dollar or such other currency(ies). Investors will incur currency conversion costs and you may suffer losses depending on the exchange rate movements of RMB relative to HK dollar or such other currencies.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

### 6. QFI Risks

- **Risks associated with QFIs rules and restrictions** - The fund is subject to rules and restrictions under QFI regulations including rules on investment restrictions, which are subject to change and such change may have potential retrospective effect.
- **Risks regarding QFI licence** - The QFI Holder's QFI licence may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFI Holder or for any other reasons. In such event, the fund may be required to dispose of its securities holdings.

- **Risks regarding remittance and repatriation of funds** – The fund could be adversely affected by the delays in the repatriation of funds. The fund may be exposed to potential loss from any restriction or delay in the QFI Holder's ability to convert USD from or into RMB. In such cases, payment of the redemption proceeds may be delayed. This may have impact on the fund's ability to meet the redemption requests of its unitholders.
- **Custodial Risk – Where the fund invests in the mainland China securities markets using the QFI Holder's QFI status, such securities will be maintained by the QFI Custodian appointed by the QFI Holder pursuant to the QFI regulations through securities accounts in such name as may be permitted or required in accordance with mainland China law and the fund may be subject to custodial risk.**

If the QFI Custodian defaults, the fund may suffer substantial losses.

If any of the QFI Holder or the QFI brokers is liquidated, the assets (including cash) which belong to the fund do not form part of the liquidation assets of the QFI Holder or the QFI brokers in liquidation in mainland China. If the QFI Custodian is liquidated, the assets held in the securities accounts will not form part of the liquidation assets of the QFI Custodian in liquidation in mainland China, however, the assets held in the cash accounts will form part of the liquidation assets of the QFI Custodian in liquidation in mainland China and the fund will become an unsecured creditor for the amount deposited in the cash accounts.

The fund may also incur losses due to a default, act or omission of the QFI Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

- **Brokerage Risk** – There is a risk that the fund may suffer losses, whether direct or consequential, from the default or bankruptcy of the QFI broker or disqualification of the same from acting as a broker which may prevent the fund from executing further securities transactions through such QFI broker. This may adversely affect the fund in the execution or settlement of any transaction or in the transfer of any funds or securities.

## 7. Risks related to investments via the Stock Connect

- The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the fund's ability to invest in A-Shares or access the mainland China market through the programme will be adversely affected. In such event, the fund's ability to achieve its investment objective could be negatively affected.

## 8. Risks associated with the ChiNext market and/or the Science and Technology Innovation Board ("STAR Board")

- The fund may invest in the ChiNext market of the SZSE via the Shenzhen-Hong Kong Stock Connect and/or the STAR Board of the SSE via the Shanghai-Hong Kong Stock Connect. Investments in the ChiNext market and/or STAR Board may result in significant losses for the fund and its investors. The following additional risks apply:
- **Higher fluctuation on stock prices** – Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. They are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main boards.
- **Over-valuation risk** – Stocks listed on the ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.
- **Differences in regulations** – The rules and regulations regarding companies listed on ChiNext market and/or STAR Board are less stringent in terms of profitability and share capital than those in the main boards.

- **Delisting risk** – It may be more common and faster for companies listed on the ChiNext market and/or STAR Board to delist. ChiNext market and STAR Board have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the fund if the companies that it invests in are delisted.
- **Concentration risk** – STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the fund to higher concentration risk.

#### 9. Risk relating to small- and mid-capped companies

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

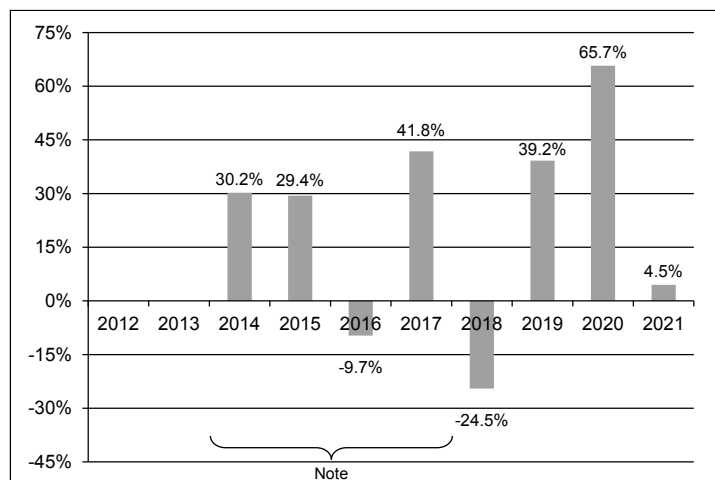
#### 10. Risks relating to hedging and the hedged classes

- There is no guarantee that the desired hedging instruments will be available or hedging techniques will be effective. The fund may suffer significant losses in adverse situation. Any expenses arising from such hedging transactions will be borne by the relevant hedged classes. Hedging may also preclude unitholders from benefiting from an increase in value in terms of the fund's base currency.

#### 11. Financial derivative instruments ("FDI")

- Risks associated with FDI include counterparty risk, credit risk, liquidity risk, valuation risk, volatility risk, over-the-counter transaction risk and hedging risk. Such exposure may lead to a high risk of significant capital loss.
- The leverage element component of an FDI can result in a loss substantially greater than the amount invested in the FDI itself.

### How has the fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the fund's Class A USD Accumulation increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 2013
- Class A USD Accumulation launch date: 2013
- The manager views the Class A USD Accumulation, being the retail unit class denominated in the base currency of the fund, as the most appropriate representative unit class of the fund.

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

**Is there any guarantee?**

This fund does not have any guarantees. You may not get back the full amount of money you invest.

**What are the fees and charges?****Charges which may be payable by you**

You may have to pay the following fees when dealing in the shares of the fund.

Fee	What you pay	
Unit class	A	C
<b>Subscription fee (Initial charge)</b>	Up to 5% of the gross investment amount	
<b>Switching fee</b>	Not applicable – no conversion is currently allowed	
<b>Redemption fee (Redemption charge)</b>	Nil	

**Ongoing fees payable by the fund**

The following expenses will be paid out of the fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the fund's net asset value)	
Unit class	A	C
<b>Management fee*</b>	1.50%	1.00%
<b>Trustee fee</b>	0.07%, <i>subject to a minimum fee of USD24,000 per annum</i>	
<b>Performance fee</b>	Not applicable	
<b>Administration fee (service provider's costs)</b>	0.02% to 0.2%	

\* The fee may be increased up to a maximum annual rate of 7% of the net asset value of the fund after giving at least one month's prior notice to unitholders.

**Other fees**

You may have to pay other fees when dealing in the units of the fund. Please refer to the offering document for fees payable by the fund.

**Additional information**

- You generally buy and redeem units at the fund's next-determined net asset value (NAV) after Schroder Investment Management (Hong Kong) Limited receives your request, directly or via a distributor, in good order at or before 5:00 p.m. (Hong Kong time) on each dealing day, being the fund's dealing cut-off time. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the fund's dealing cut-off time).
- Past performance information of other unit classes offered to Hong Kong investors is available online at [www.schroders.com.hk](http://www.schroders.com.hk).
- The net asset value of this fund is calculated and the price of units is published on each dealing day. They are available online at [www.schroders.com.hk](http://www.schroders.com.hk). The website has not been reviewed by the SFC.

**Important**

If you are in doubt, you should seek professional advice. The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.