

Issuer: Schroder Investment Management (Hong Kong) Limited

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.***

Quick facts

Manager:	Schroder Investment Management (Hong Kong) Limited			
Sub-Managers:	<p>Schroder Investment Management Limited, located in UK, internal delegation</p> <p>Schroder Investment Management North America Inc., located in USA, internal delegation</p>			
Trustee:	HSBC Institutional Trust Services (Asia) Limited			
Ongoing charges over a year:	Class A HKD Dis MV	2.26%*	Class A AUD Hedged Dis MV	2.27%*
	Class A HKD Dis MV2	2.26%*	Class A AUD Hedged Dis MV2	2.27%*
	Class A USD Acc	2.26%*	Class A RMB Hedged Dis MV	2.27%*
	Class A USD Dis MV	2.26%*	Class A RMB Hedged Dis MV2	2.27%*
	Class A USD Dis MV2	2.26%*		
Dealing frequency:	Daily			
Base currency:	USD			
Dividend policy:	<p>A, C and X Accumulation Units – Dividend will not be distributed but will be reinvested into the fund.</p> <p>A, C and X Distribution Units – Dividend will be distributed on a monthly basis. However, the distribution rate is not guaranteed.</p> <p>Distributions may be paid out of capital and reduce the fund's net asset value.</p>			
Financial year end of this fund:	30 June			
Minimum investment:	<p>Initial – HKD5,000, RMB5,000 or USD1,000 (or equivalent), Subsequent Investment – HKD5,000, RMB5,000 or USD1,000 (or equivalent)</p>			

* The ongoing charges figure is an estimate only as the fund is newly established. It represents the sum of the estimated ongoing expenses chargeable to the relevant unit class over a 12-month period expressed as a percentage of the estimated average net asset value of the relevant unit class over the same period. The actual figure may be different upon actual operation of the fund and the figure may vary from year to year.

Note: As of the date of this document, Class C and Class X Units of the fund are not being offered to the public in Hong Kong.

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.

Objectives and investment strategy

The fund's objective is to provide a balance of capital growth and income with moderate volatility through a diversified portfolio of global equities and fixed income securities.

The fund will seek to achieve the investment objective primarily (i.e. at least 70% of its net asset value) through direct or indirect investment in a portfolio of (a) global equities, equity related securities and real estate investment trusts ("REITs"); and (b) bonds, convertible bonds and other fixed or floating rate securities issued by companies and governments, government agencies and supra-national issuers globally.

The fund's investment is not subject to any prescribed limit on the region, country, industry or market capitalisation of the investments.

The fund adopts a thematic approach in the selection of equity securities for its equity portfolio. The manager seeks to invest in companies that it believes will enjoy above-average growth rates in earnings or sales and high or improving returns on capital through their exposure to a number of investment themes which it believes to have strong long term impact and where these growth prospects are not fully reflected in market expectations. These investment themes upon the launch of the fund will include, but may not be limited to, innovative transformation, cities and lifestyle, as well as environment and sustainability. There is no limit on the number of investment themes that the fund may invest in at any point in time and the investment themes that the fund may invest in, as well as the definition of the investment themes, may change from time to time.

The bond portfolio of the fund is also managed actively by selecting both government and corporate issued fixed income securities. For corporate bonds, the manager would select securities which provide attractive valuations based on the level of yield and/or capital growth potential, through identification of industry and sector themes and assessing the impact of such themes on the fundamentals of the issuers and the supply and demand for the securities. In addition, the manager would also consider other factors, such as technicals and liquidity, in the construction of the portfolio. The fund may in aggregate invest up to 40% of its net asset value in (i) fixed income securities which are below investment grade (i.e. rated below BBB-/ Baa3 (or its equivalent) by any internationally recognised credit rating agency, such as Standard & Poor's, Moody's or Fitch, or rated AA- or below by any mainland China 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 fixed income securities at the time of acquisition, and (ii) collateralised and/or securitised products such as asset backed securities, mortgage backed securities and asset backed commercial papers. 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.

The fund will not invest 10% or more of its net asset value in below investment grade securities issued by a single sovereign issuer (including its government, public or local authority). If the relevant fixed income 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 fund's exposure to China onshore securities, including China A-shares, China B-shares and onshore Chinese fixed income securities, will be less than 30% of its net asset value.

The fund may invest less than 5% of its net asset value in urban investment bonds (城投債) (i.e. debt instruments issued by mainland Chinese local government financing vehicles ("LGFVs") and these LGFVs are separate legal entities established by mainland Chinese local governments and / or their affiliates to raise financing for public welfare investment or infrastructure projects).

The fund may invest up to 10% of its net asset value in debt instruments with loss-absorption features such as contingent convertible bonds, Additional Tier 1 capital notes and Tier 2 capital notes, capital security bonds, senior non-preferred debts and total loss-absorbing capacity bonds.

The fund will actively allocate between equities, fixed income securities, other asset classes and cash and money market instruments to achieve the fund's objectives. The fund uses a risk-premia approach to analyse different asset classes to identify the driving forces behind the risks and returns of asset classes. The analysis is based on a combination of fundamental and quantitative factors such as asset class valuation, macroeconomic data and liquidity. Cash and money market instruments will be treated as a separate asset class and will be deployed if necessary to limit downside risk during adverse market conditions. The fund's expected asset allocation range, either through direct investment or indirect exposure via collective investment schemes, for each asset class is as follows:

Global equities: 30-70%

Global fixed income: 30-70%

Other asset classes: 0-20%

Cash and money market instruments: 0-30%

The expected asset allocation of the fund is set out above for indicative purposes. Investors should note that the actual allocation may at times be varied from that shown above as market, economic and other conditions change.

When it is deemed appropriate by the manager, in addition to directly investing in equity and fixed income securities, the fund's thematic equity and/or fixed income strategies may be achieved indirectly through investing in collective investment schemes, including exchange traded funds ("ETFs"). The fund may, if the manager considers fit, seek exposure of not more than 20% of its net asset value to other asset classes including but not limited to commodities (including energy, metals and agricultural commodities) indirectly through collective investment schemes, including ETFs. In aggregate, the fund may invest less than 50% of its net asset value in collective investment schemes, including ETFs, subject to the requirements in 7.11, 7.11A and 7.11B of the Code on Unit Trusts and Mutual Funds.

The fund may also utilize financial derivative instruments for the purposes of hedging and investment, although the manager is not obligated to do so. There can be no assurance that any financial derivative instruments employed by the manager will achieve desired results. Any financial derivative instrument used for investment purposes is subject to the investment restrictions applicable to the fund.

Under exceptional circumstances (e.g. market crash or major crisis), the fund may hold more than 30% of its assets in cash and money market instruments such as bank deposits, certificates of deposit, commercial paper and treasury bills for defensive purpose.

The manager will also manage the fund by taking into account the distribution policy of the fund. Please refer to the "Distribution" section of the Explanatory Memorandum for details.

The fund will have limited Renminbi (RMB) denominated underlying investments.

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. General investment risk

- The fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the fund may suffer losses. There is no guarantee of the repayment of principal.

2. 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. If the market value of the stocks go down the net asset value of the fund may be adversely affected.

3. Risks relating to investment in fixed income securities

- **Below investment grade and unrated debt securities** – Investments in fixed income securities below investment grade or unrated are generally subject to higher degree of counterparty risk, credit risk, volatility risk, liquidity risk and risk of loss of principal and interest than higher rated securities.
- **Credit and counterparty risk** – Investment in fixed income securities is subject to the credit/default risk of the issuer which may also adversely affect the settlement of the securities.
- **Credit ratings risk** – Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The rating criteria and methodology used by Chinese local rating agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.
- **Interest rate risk** – Investment in the fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- **Credit downgrading risk** – The credit rating of fixed income securities or their issuers may be subsequently downgraded. In the event of such downgrading, the value of the fund may be adversely affected. The manager may or may not be able to dispose of such securities immediately and the fund may therefore be subject to additional risk of loss.
- **Liquidity and volatility risk** – Securities not listed or rated or actively traded may have lower liquidity and higher volatility, and their prices may be subject to fluctuations. The bid and offer spread of their price may be high and the fund may therefore incur significant trading costs and may even suffer losses when selling such instruments.
- **Valuation risk** – Valuation of the fund's investment may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the net asset value calculation of the fund.
- **Sovereign debt risk** – The fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the fund to participate in restructuring such debts. The fund may suffer significant losses when there is a default of sovereign debt issuers.

4. Risks relating to active thematic asset allocation strategy

- The fund is actively managed and adopts a thematic investment approach. The fund invests in multiple themes and investments of the fund may be periodically rebalanced among different themes from time to time depending on the market conditions of the respective themes, and therefore the fund may incur greater transaction costs than a fund with static allocation strategy. Also, the fund's thematic asset allocation strategy may not achieve the desired results under all circumstances and market conditions. The thematic investment approach adopted may result in the fund being more volatile than a fund which invests in more diversified types of investments.

5. Emerging and less developed markets risk

- The fund may invest in emerging and less developed markets. Investing in emerging and less developed markets is subject to greater risks than investing in securities of developed countries such as ownership and custody risks, political and economic risks, market and settlement risks, liquidity and volatility risk, legal and taxation risks, execution and counterparty risk, and currency risk, which may adversely affect the net asset value per share of the fund and investors may as a result suffer losses.

6. Currency and exchange risk

- Investments acquired by the fund may be denominated in a wide range of currencies different from the base currency of the fund. 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.

7. Risks associated with collateralised and/or securitised product

- The fund may invest in asset backed securities, mortgage backed securities and asset backed commercial papers which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

8. 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.

9. 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 classes denominated in RMB.
- 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.

10. Risks of investing in other investment funds

- The fund may invest in other investment funds which may or may not be regulated by the SFC. In addition to the expenses and charges charged by the fund, investors should note that there are additional costs involved when investing into these investment funds, including fees and expenses charged by the investment manager of these investment funds as well as fees payable by the fund during its subscription to or redemption from these investment funds. Furthermore, there can be no assurance that (i) the liquidity of the investment funds will always be sufficient to meet redemption request as and when made; and (ii) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the manager and the selection and monitoring of the investment funds. These factors may have adverse impact on the fund and its investors.
- If the fund invests in an investment fund managed by the manager or connected person of the manager, potential conflict of interest may arise. In the event of such conflicts, the manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the fund and any of them are on an arm's length basis.

11. Risks relating to distributions

- **The manager may at its discretion make such distributions out of the capital of the fund. This amounts to a return or withdrawal of part of the amount you originally invested or capital gains attributable to that and may result in an immediate decrease in the value of units of the relevant Distribution Units.**
- The distribution amount and net asset value of the hedged unit classes may be adversely affected by differences in the interest rates of the class currencies of the hedged unit classes and the fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged unit classes.

12. Financial derivative instruments ("FDI")

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

How has the fund performed?

There is insufficient data to provide a useful indication of past performance to investors as the fund is newly established for less than a full calendar year.

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 units of the fund.

Fee	What you pay		
Unit class	A	C	X
Subscription fee (Initial charge)	Up to 5% of the gross investment amount		
Switching fee	Up to 5% of the switching amount		
Redemption fee (Redemption charge)	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	X
Management fee*	1.50%	0.625%	1.50%
Trustee fee[#]	0.07% (Subject to a minimum fee of USD20,000 per annum)		
Performance fee	Not applicable		
Administration fee (Service Provider's costs)	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.

[#] The fee may be increased up to a maximum annual rate of 0.50% of the net asset value of the fund after giving at least one month's prior notice to unitholders.

Note: As of the date of this document, Class C and Class X Units of the fund are not being offered to the public in Hong Kong.

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 pm HK time, being the fund's dealing cut-off time on each dealing day of the fund. 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).
- Compositions of the distributions (i.e. the percentages of distribution being paid out of capital and net distributable income) for the last twelve months for each of the classes of Distribution Units paying distributions out of capital are available from the manager on request and on the Schroders' Internet site (www.schroders.com.hk).
- Past performance information of other unit classes offered to Hong Kong investors is available online at 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 also available online at 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.