

Issuer: Schroder Investment Management (Hong Kong) Limited

March 2024

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			
Trustee:	HSBC Institutional Trust Services (Asia) Limited			
Ongoing charges over a year*:	Class A HKD Acc	1.56%	Class C HKD Acc	0.83%
	Class A USD Acc	1.56%	Class C USD Acc	0.83%
	Class A HKD Dis	1.56%	Class C HKD Dis	0.83%
	Class A USD Dis	1.56%	Class A AUD Hedged Dis	1.56%
	Class C AUD Hedged Dis	0.83%	Class A RMB Hedged Dis	1.56%
	Class A GBP Hedged Dis	1.56%	Class A GBP Hedged Acc	1.56%
	Class X USD Acc	1.54%	Class X HKD Acc	1.55%
	Class X HKD Dis	1.56%	Class X USD Dis	1.56%
Dealing frequency:	Daily			
Base currency:	HKD			
Dividend policy:	A, C and X Accumulation Units – Dividend will not be distributed but will be reinvested into the fund.			
	A, C and X Distribution Units – Dividend will be distributed on a monthly basis. However, the distribution rate is not guaranteed.			
	Distributions may be paid out of capital and reduce the fund's net asset value.			
Financial year end of this fund:	30 June			
Minimum investment:	Initial – HKD5,000, RMB5,000 or USD1,000 (or equivalent), Subsequent Investment – HKD5,000, RMB5,000 or USD1,000 (or equivalent)			

* The ongoing charges figure is based on the annualised expenses for the interim period ended 31 December 2023. This 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.

Objectives and investment strategy

The fund aims to provide income and capital growth over the medium to longer term by investing primarily in Asian equities and Asian fixed income securities.

The fund will seek to achieve the investment objective primarily (i.e. at least 70% of its net asset value) through investment in a portfolio of equity and equity related securities of Asian (including countries in Asia-Pacific) companies which offer sustainable dividend payments, including real estate investment trusts, and bonds and other fixed or floating rate securities, of investment grade or below investment grade (at the time of or subsequent to acquisition), issued by governments, government agencies, supra-national and companies in Asia (including countries in Asia-Pacific).

The fund is not subject to any limitation on the portion of its net asset value that may be invested in any country in Asia (including countries in Asia-Pacific) or sector.

The fund may invest below 50% of its net asset value in bonds and debt 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 debt securities at the time of acquisition. 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. 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 may invest up to 20% 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 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 non-Asian securities and commodities (including energy, metals and agricultural commodities) indirectly through exchange traded funds ("ETFs") and/or similar instruments.

The fund will actively allocate between Asian equities, Asian fixed income securities, other asset classes, cash and money market instruments to achieve the fund's objective. The fund will use a cyclical approach to asset allocation where the asset mix will be adjusted according to the four phases of the economic cycle – recovery, expansion, slowdown and recession – 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 for each asset class is expected to be the following: –

Asian equities: 30-70%

Asian fixed income: 20-70%

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.

In addition to active asset allocation, the fund will also perform active security selection for its investments in Asian equities, Asian fixed income and other asset classes. For the Asian equities portfolio, the fund intends to focus on companies that are able to create true shareholder value, have a strong and stable earnings stream and have a strong sustainable dividend yield. For the Asian fixed income portfolio, the fund intends to select securities that deliver capital growth taking into account both fundamental and technical views such as valuation, demand/supply conditions and liquidity. The fund will also perform duration management based on the manager's interest rate views. Duration is a measure of the sensitivity of the portfolio value to changes in interest rates. Hence duration management means managing the impact that interest rate movements have on the value of the portfolio. For example, an increase in interest rates usually has a negative impact on the value of bonds, hence the manager would reduce the duration of the portfolio to reduce the effect from rising interest rates.

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 as disclosed in the Explanatory Memorandum.

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

Investment in China A-shares may be made through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, the "Stock Connect") (as further described in the section under the heading "Stock Connect" in the Explanatory Memorandum).

Indirect exposure to China A-shares may also be sought for the fund through investment in, including but not limited to, China market access products, investment funds and ETFs.

The fund may invest directly in fixed income and debt instruments issued or distributed in mainland China ("Onshore Chinese fixed income securities"). Direct exposure to Onshore Chinese fixed income securities may be gained via investing in mainland China interbank bond markets ("China Interbank Bond Market") under Foreign Access Regime (as further described in the section under the heading "Overview of China Interbank Bond Market" in the Explanatory Memorandum) and/or Bond Connect (as further described in the section under the heading "Overview of China Interbank Bond Market" in the Explanatory Memorandum) and/or other means as may be permitted by the relevant regulations from time to time.

The fund's aggregate direct and indirect exposure (through, including but not limited to, China market access products, investment funds and ETFs) to China A-shares, China B-shares and Onshore Chinese fixed income securities will not exceed 20% of its net asset value.

The fund may invest up to 10% of its net asset value in insurance-linked securities ("ILS"), such as catastrophe bonds, issued outside Hong Kong and/or any ILS-related products, such as derivatives or structured products whose returns are linked to the performance of any ILS and collective investment schemes whose investment objective or principal investment strategy is investing in ILS. For the avoidance of doubt, the fund will not invest in ILS issued in Hong Kong and their repackaged products and derivatives.

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

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

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

2. 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 risks**— 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 not 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 low 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.

3. 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.

4. Emerging and less developed markets securities 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 regulatory 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.

5. 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.

6. Risks relating to Real Estate Investment Trusts ("REITs")

- The fund may be subject to risks similar to those associated with the direct ownership of real property (in addition to securities market risks) through its investment in REITs. The prices of REITs are affected by changes in the value of the underlying property owned by the REITs. REITs are dependent upon management skills and generally may not be diversified. Certain "special purpose" REITs in which the fund may invest may have their assets in specific real property sectors, such as hotel REITs, nursing home REITs or warehouse REITs, and are therefore subject to the risks associated with adverse developments in these sectors.
- The REITs invested in by the fund may not necessarily be authorized by the SFC and the distribution policy of the fund may not reflect the dividend policy of the underlying REITs.

7. 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.

8. 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.

9. 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 China 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.

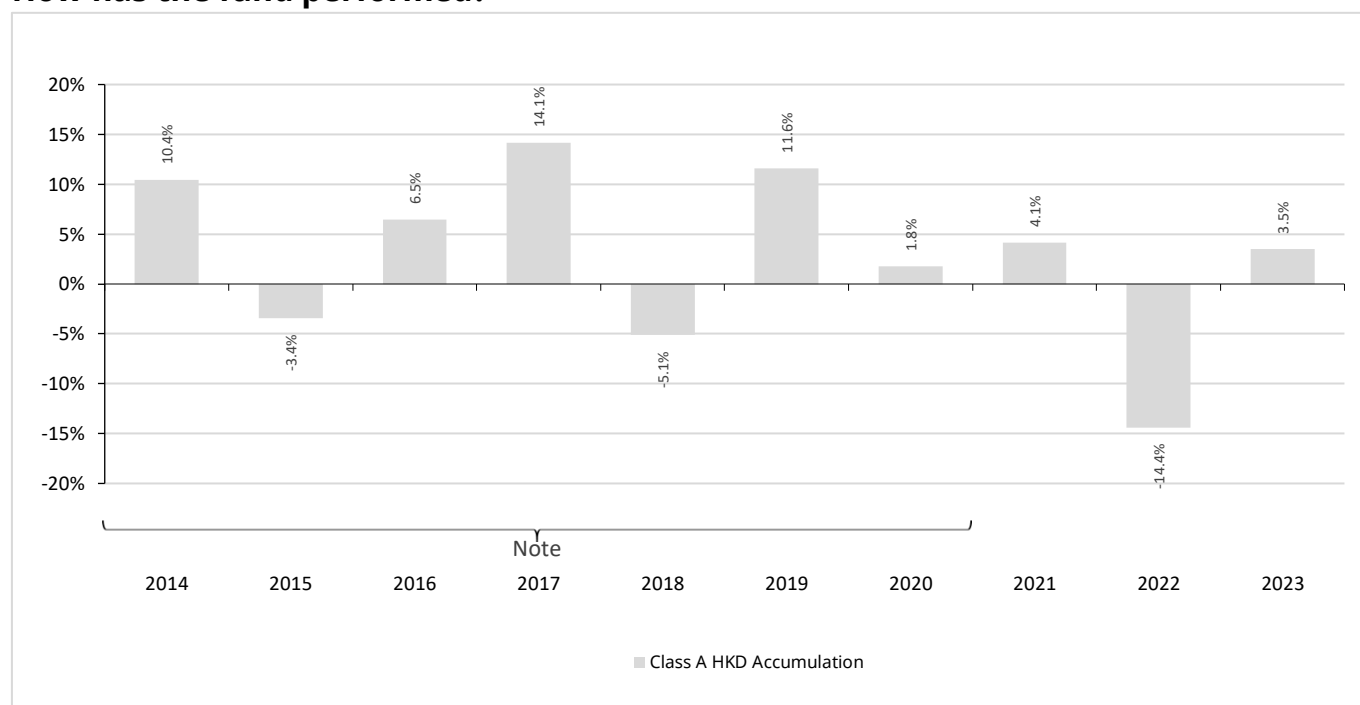
10. Risks associated with China Interbank Bond Market

- Investing in the China Interbank Bond Market via Foreign Access Regime and/or Bond Connect is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the China Interbank Bond Market via Foreign Access Regime and/or Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant mainland China authorities suspend account opening or trading on the China Interbank Bond Market, the fund's ability to invest in the China Interbank Bond Market will be adversely affected. In such event, the fund's ability to achieve its investment objective will be negatively affected.

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. 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?



- 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 HKD Accumulation increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Fund launch date: 2011
- Class A HKD Accumulation launch date: 2011
- The manager views the Class A HKD 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 were material changes to the fund, namely, changes of investment objective and policy and 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 units of the fund.

Fee	What you pay		
Unit class	A	C	X
Subscription fee (Initial charge)	Up to 5.00% of the gross investment amount		
Switching fee	Up to 5.00% 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 *	1.25%	0.625%	1.25%
Trustee fee **	0.0595% (Subject to a minimum fee of HKD156,000 per annum)		
Performance fee	Not applicable		
Administration fee (Service Provider's costs)	0.02% to 0.20%		

* 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.

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 or the Service Provider 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.