

Issuer: Schroder Investment Management (Europe) S.A.

April 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

Management company:	Schroder Investment Management (Europe) S.A.			
Investment manager:	Schroder Investment Management Limited, located in the United Kingdom, internal delegation			
Sub-investment manager(s) and sub-delegate(s), if any:	Internal delegation to one or more sub-investment manager(s) (if any) and sub-delegate(s) (if any) as described in the section headed "Sub-Investment Managers and Sub-Delegates" in the Hong Kong Covering Document. The list of the latest sub-investment manager(s) and sub-delegate(s) of the fund will be provided on request and shall be further disclosed in the periodic reports of Schroder International Selection Fund.			
Depository:	J.P. Morgan SE – Luxembourg Branch			
Ongoing charges over a year*:	Class A USD Acc	1.84%	Class A1 USD Acc	2.34%
	Class A EUR Hedged Acc	1.87%	Class A1 EUR Hedged Acc	2.37%
	Class A EUR Acc	1.84%	Class A EUR Dis SV	1.84%
	Class A HKD Acc	2.08%		
Dealing frequency:	Daily			
Base currency:	USD			
Dividend policy:	A and A1 Accumulation share classes – Dividend will not be distributed but will be reinvested into the fund.			
	A and A1 Distribution share classes – The board of directors generally has discretion as to whether or not to make any distribution. The distribution frequency is indicated in the share class designation as follows: M = monthly, Q = quarterly, S = semi-annual, A = annual			
	Distributions may be paid out of capital and reduce the fund's net asset value.			
Financial year end of this fund:	31 December			
Minimum investment:	A and A1 share classes: Initial – EUR1,000 or USD1,000 (or equivalent); Subsequent investment – EUR1,000 or USD1,000 (or equivalent)			

* The ongoing charges figure is based on the expenses for the year ended 31 December 2023. This figure may vary from year to year.

What is this product?

This is a sub-fund of Schroder International Selection Fund, a mutual fund domiciled in Luxembourg and its home regulator is Commission de Surveillance du Secteur Financier.

Objectives and investment strategy

Investment Objective

The fund aims to provide capital growth and income in excess of the FTSE EPRA NAREIT Developed index (Net TR, USD) after fees have been deducted over a three to five year period^{Note} by investing in equity and equity related securities of real estate companies worldwide and which the investment manager deems to be sustainable investments.

^{Note} For clarification purpose, this means to exceed a medium to long term return of the stated index after fees have been deducted. The three to five year period is considered as a medium to long term period, and is the period over which an investor should assess the fund's performance.

Investment Policy

The fund invests at least two-thirds of its assets in equity and equity related securities of real estate companies worldwide with a focus on companies that invest in cities that the investment manager believes will exhibit continued economic growth, supported by factors such as strong infrastructure and supportive planning regimes. For clarity, investment in "equity and equity related securities of real estate companies" may include investment in real estate investment trusts (REITs).

The fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, investment funds, warrants and money market investments, and hold cash (subject to the restrictions provided in Appendix I of the Prospectus).

The fund is actively managed and invests its assets in (i) sustainable investments, which are investments that contribute towards more environmentally resilient and innovative cities and infrastructure, and (ii) investments that the investment manager deems to be neutral under its sustainability criteria. At least 90% of the fund's assets will be invested in sustainable investments described in (i) above. Real assets have a large impact on the environment and create over 40% of the world's CO₂ emissions. By the end of the century as much as 90% of the global population could be living in urban areas – in order to meet targets set by the Paris Agreement, cities will be a crucial tool in order to achieve climate targets. By investing in companies that will make a positive impact on the built environment (i.e. any type of real asset that provides a service to the inhabitants within a city/region), the fund has an overarching aim of achieving Goal 11 of the United Nations Sustainable Development Goals (i.e. Sustainable Cities and Communities). To ensure this, ESG is integrated into stage 1 and 2 of the fund's investment process and is a key factor in determining portfolio inclusion and position sizing.

The fund does not directly invest in certain activities, industries or groups of issuers which generate revenue above the respective limits as prescribed by the investment manager from time to time, including but not limited to revenues from tobacco and controversial weapons. The respective limits and exclusion list may be updated from time to time. For further information, please refer to the fund's webpage¹.

The fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the investment manager's sustainability rating criteria (please see the "Sustainability Criteria" section below for more details).

Improvement of a company's sustainability practices is assessed through continuous engagements with the companies on material ESG issues.

¹ Accessed via <https://www.schroders.com/en-lu/lu/individual/fund-centre> (this website has not been reviewed by the SFC).

The investment manager may also engage with companies held by the fund to challenge identified areas of weakness on sustainability issues. More details on the investment manager's approach to sustainability and its engagement with companies are available on the webpage².

The fund is not subject to any limitation on the portion of its net asset value that may be invested in any country (including emerging market countries) or region. The fund is not subject to any limitation on the market capitalisation of the companies that it may invest in.

Under exceptional circumstances (e.g. market crash or major crisis), the fund may be invested temporarily up to 100% of its net asset value in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

The fund may use derivatives with the aim of reducing risk or managing the fund more efficiently. Derivatives can be used for instance to create market exposures through equity, currency, volatility or index related derivatives and include over-the-counter and/or exchange traded options, futures, contracts for difference, warrants, swaps, forward contracts and/or a combination of the above.

Sustainability Criteria

The investment manager applies the sustainability criteria when selecting investments for the fund. The investment universe is analysed in two distinct phases. Each phase leads to companies being excluded based on weak sustainability metrics. Stage 1 takes the location of a company's assets and applies a rank based on four bespoke 'Impact Scores'. This creates a list of companies eligible for stage 2. This list is called the Long Term Index (LTI). From the LTI, ESG analysis using the bespoke 'CONTEXT' system and valuation establishes maximum capital allocation and position sizing. ESG is integrated, applies exclusions and incorporates third-party data.

- **Stage 1** analyses the location (i.e. cities) of a company's assets. A proprietary asset database maps every asset of a company anywhere in the world. This provides the latitude and longitude of each asset. The investment manager has visibility of all the assets owned by listed real asset companies. There are over 180,000 assets in the database. The asset database allows the investment manager to identify which company owns assets in the strongest global cities. Cities and assets are scored using four bespoke 'Impact Scores' encompassing a range of environmental and social metrics including environmental impact and transport impact.
 - **Environmental Impact database** analyses the location in terms of environmental factors (this includes physical risk, policy risk and wellbeing risk) by measuring how sustainable a location is using sources including the National Aeronautics and Space Administration (NASA), European Space Agency (ESA), Brookings and other research institutes. Physical risk assesses the ability to mitigate impact of geophysical risks such as earthquakes and landslides, policy risk assesses a city's policy towards ESG issues, and wellbeing risk assesses factors such as air quality and heat and water stress.
 - **Transport Impact database** analyses the location in terms of social factors by looking at the availability of mass transit. The database is able to see the average walk times to all modes of mass transit in any city, as well as the freight and passenger throughput of Airports and Ports. A strong transport system in a city enables a larger workforce to reach a wider range of employers. This is integral to the economic and social viability of a city.
 - **Innovation Impact database** – universities are a crucial element in any global city. World class universities provide the talented graduates that companies want to recruit. In addition, they provide the innovative ideas which launch new businesses and create employment. Innovation is what drives the knowledge economy. The innovation score functions by geocoding circa 3,000 universities worldwide.

² Accessed via <https://www.schroders.com/en/hk/retail-investors/sustainability/making-an-impact-through-sustainability> (this website has not been reviewed by the SFC).

The city catchment plus a 25km radius is used as the region where a city benefits from the presence of a university.

- **Economic Impact database** – this ranks each asset based on its proximity to the most productive locations. These locations with the strongest economic characteristics will be the most sustainable cities into the future.
- Companies are then scored based on their exposure to the superior/ inferior locations with reference to the relevant metrics set out above. At least 25% of companies (based on their sustainability score) are removed from the fund's investment universe. The result is the LTI of which more than half the companies under coverage are therefore excluded in Stage 1 because they operate in cities whose environmental and social characteristics are not sufficiently sustainable. The companies which are included are then analysed according to Stage 2 which incorporates further sustainability analysis to establish a maximum investment for each company. Companies which are located in good cities thus have to go through Stage 2 before they can be included in the portfolio.
- **Stage 2** focusses on determining the quantum to be invested in each company using both internal, i.e. Schroders' proprietary tool CONTEXT and external sustainability measurement tools. The following third party data is used to provide inputs to CONTEXT: MSCI pillar scores, company policies, Institutional Shareholder Services (ISS) reports and Global Real Estate Sustainability Benchmark (GRESB) reports). The analysis awards a sustainability score to each company based on the analysis of a company's relationship with its stakeholders (customers, communities, employees, environment, regulators and governments, and suppliers), overall governance and the sustainability of its business model. While this sustainability score is separate from the score given in Stage 1, companies' contributions to the environmental and social wellbeing of cities are key within CONTEXT. The process excludes the bottom quartile of companies (based on their sustainability score) from investment by the fund and in so doing this ensures that only those companies making the strongest environmental and social contribution to cities are included in the portfolio.

The investment manager may also engage with companies in the portfolio, which are expected to demonstrate a clear commitment to sustainability both in their relationships with stakeholders and in their efforts to mitigate their impact on the natural environment.

The investment manager performs its analysis using its own research and Schroders' sustainable proprietary tools such as CONTEXT. Third party research (examples detailed under stage 2 above) is used as a secondary consideration and generally provides a source of challenge or endorsement for the investment manager's assessment based on its proprietary tools.

The investment manager ensures that at least 90% of the portion of the fund's net asset value composed of investments in companies is rated against the sustainability criteria. As a result of the application of sustainability criteria, at least 20% of the fund's potential investment universe is excluded from the selection of investments.

For the purposes of this test (i.e. determination of the percentage of the fund's potential investment universe that has been excluded from the selection of investments), the potential investment universe is the core universe of issuers that the investment manager may select for the fund prior to the application of sustainability criteria, in accordance with the other limitations of the investment objective and policy. This universe is comprised of equity and equity related securities of real estate companies worldwide.

Benchmark

The fund's performance should be assessed against its target benchmark, being to exceed the FTSE EPRA NAREIT Developed index (Net TR, USD). The fund's investment universe is expected to overlap materially with the components of the target benchmark. The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) 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. 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

Investment in equity securities is subject to the risk that the market value of the stocks may go down as well as up 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 sustainable investment approach

- **Concentration risk:** The fund follows a sustainable investment approach, which may cause it to be overweight and/or underweight in certain sectors and thus perform differently than funds that have a similar objective but which do not incorporate sustainability investment criteria when selecting securities. The value of the fund will be more volatile than that of a fund having a more diverse portfolio of investments.
- **Subjective judgment in investment selection:** In pursuing the sustainable investment approach, the investment manager integrates certain environmental and social sustainability themes into the investment selection process, which involves analysis of potential investment based on certain "sustainability factors". Such assessment by the investment manager is subjective in nature and therefore it is possible that the investment manager may have a different interpretation of what is sustainable compared to another manager which may lead to the fund investing in certain opportunities or foregoing investment opportunities when it might otherwise be advantageous to do so and/or selling securities due to their sustainable characteristics when it might be disadvantaged to do so.
- **Exclusion risk:** Environmental and social exclusion criteria used in the fund's investment strategy may result in the fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to their environmental and social characteristics when it might be disadvantageous to do so. As such, the application of exclusion criteria may restrict the ability of the fund to acquire or dispose of its investments at a price and time that it wishes to do so, and may therefore result in a loss to the fund.
- **Reliance on corporate data or third-party information:** When assessing a potential investment based on the fund's sustainability criteria, the investment manager is dependent upon information and data from the security issuer and/or third-parties. Such information or data may be incomplete, inaccurate or inconsistent. The lack of a standardized taxonomy may also affect the investment manager's ability to measure and assess the environment and social impact of a potential investment.
- **Change in nature of investments:** The securities held by the fund may be subject to style drift which no longer meet the fund's sustainability criteria after its investments. The investment manager may have to sell such security held by the fund at a disadvantageous price. This may lead to a fall in the value of the fund.

4. Property and real estate companies securities risk

Risks associated with investments in securities of companies principally engaged in the real estate industry include the cyclical nature of real estate values, risks related to general and local economic conditions, increases in interest rates and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of the fund's investment.

5. Concentrated sector

The fund investing in concentrated sector may be subject to a higher level of risks comparing to a fund investing in a more diversified portfolio/strategy.

6. Derivatives

The fund may use derivatives to meet its specific investment objective. There is no guarantee that the performance of derivatives will result in a positive effect for the fund. Derivative exposure may lead to a high risk of significant capital loss. Risks associated with derivatives include credit risk and counterparty risk, liquidity risk, valuation risk, volatility risk, over-the-counter transaction risks and hedging risk. The leverage element/component of derivatives can result in a loss significantly greater than the amount invested in the derivatives by the fund. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. In adverse situations, the use of hedging instruments may become ineffective in hedging and the fund may suffer significant losses.

7. Concentrated geographical locations

The fund investing in concentrated geographical locations may be subject to a higher level of risks comparing to a fund investing in a more diversified portfolio/strategy. The value of the fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant geographical locations.

8. Emerging and less developed markets

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.

9. Smaller companies risk

Fund invests in smaller companies may fluctuate in value more than other funds and may be more vulnerable to adverse developments than those in larger companies. During periods where markets are falling, securities of smaller companies may become less liquid and experience short-term price volatility and wide spreads between dealing prices.

10. Risks relating to distributions

- For distribution share classes with a general dividend policy, expenses will be paid out of capital rather than out of gross income. The amount of distributable income therefore increases and the amount so increased may be considered to be dividend paid out of capital; capital growth will be reduced and in periods of low growth capital erosion may occur.
- Distribution share classes with a fixed dividend policy will distribute the dividends based on a fixed amount or fixed percentage of the net asset value per share. This may result in share classes with fixed distributions either paying out both income and capital in distribution payments, or not substantially distributing all the investment income which a share class has earned.
- **You should note that in the circumstances where the payment of distributions are paid out of capital, this represents and 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 net asset value per share.

- The distribution amount and net asset value of the currency hedged share class may be adversely affected by differences in the interest rates of the reference currency of the currency hedged share 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-currency hedged share classes.

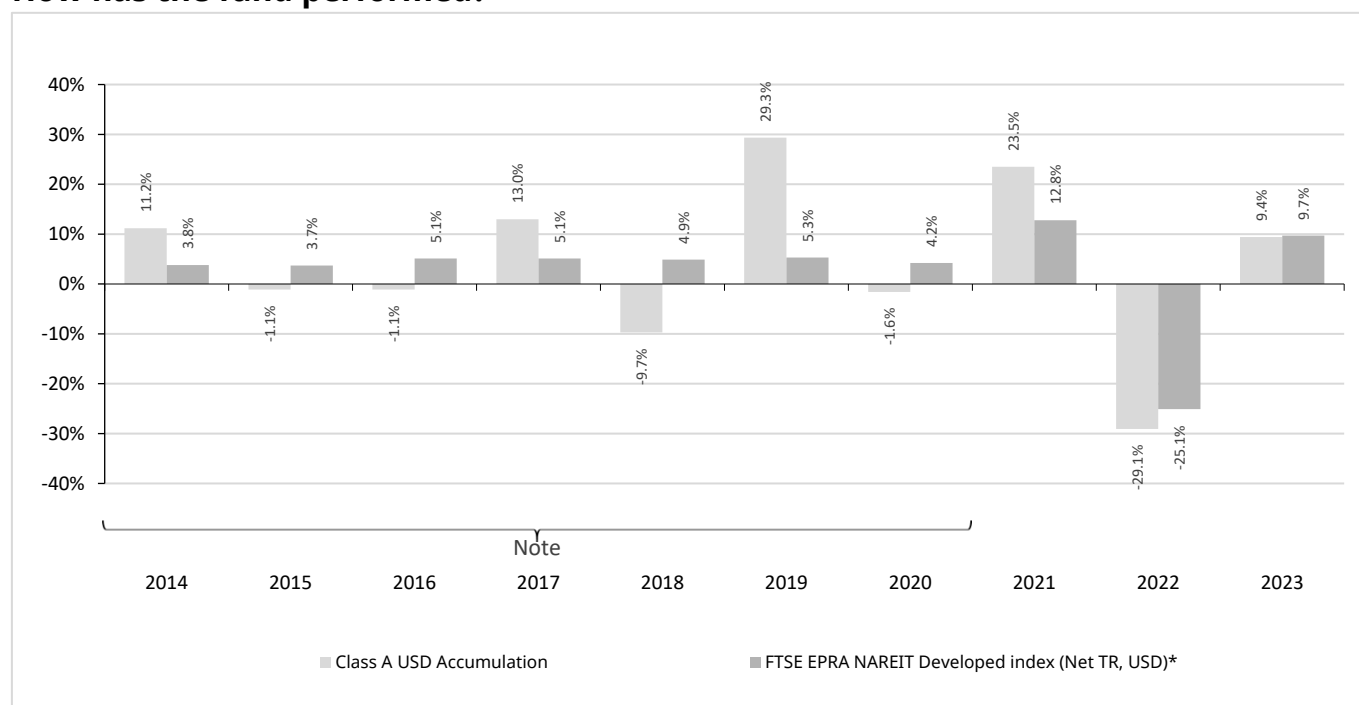
11. Risks relating to hedging and the hedged classes

- In respect of the share classes which the management company of the fund has the ability to fully hedge the shares of such share classes in relation to the fund currency, currency exposures or currency hedging transactions within the fund's portfolio will not be considered. The aim of a currency hedged share class is to provide you with the performance returns of the fund's investments by reducing the effects of exchange rate fluctuations between the fund currency and the reference currency. However there is no assurance that the hedging strategies employed will be effective in fully eliminating the currency exposure to the reference currency thereby delivering performance differentials that are reflective only of interest rate differences adjusted for fees.
- Where undertaken, the effects of this hedging will be reflected in the net asset value and, therefore, in the performance of such share class. Similarly, any expenses arising from such hedging transactions will be borne by the share class in relation to which the expenses have been incurred.
- It should be noted that, where relevant, these hedging transactions may be entered into whether the reference currency is declining or increasing in value relative to the relevant fund currency and so, where such hedging is undertaken it may substantially protect investors in the relevant share class against a decrease in the value of the fund currency relative to the reference currency, but it may also preclude investors from benefiting from an increase in the value of the fund currency.

12. Currency risks

Assets and share classes may be denominated in currencies other than USD and some may not be freely convertible. The fund may be adversely affected by changes in foreign exchange rates and exchange rate controls of the currencies in which securities are held, the reference currencies of the share classes and the US Dollar. This exposes all share classes of the fund to exchange rate fluctuations and currency risk. It may not be practicable or possible to hedge against such foreign exchange/currency risk exposure.

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.
- Target benchmark: FTSE EPRA NAREIT Developed index (Net TR, USD)*
- Fund launch date: 2005
- Class A USD Accumulation launch date: 2005
- The management company views the Class A USD Accumulation, being the retail share class denominated in the base currency of the fund, as the most appropriate representative share 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).

* With effect from 21 June 2021, the target benchmark has been changed from US Consumer Price index plus 3% to FTSE EPRA NAREIT Developed index (Net TR, USD), as the new target benchmark would make more prominent the fund's performance against a more directly comparable universe of securities and this index is generally perceived to provide the most comparable returns when measuring against other global real asset funds.

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	
Share class	A	A1
Subscription fee (Initial charge)	Up to 5.00% of the total subscription amount	Up to 4.00% of the total subscription amount
Switching fee (Switching charge)	Up to 1.00% of the value of the shares to be switched	
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 net asset value of the fund)	
Share class *	A	A1
Management fee (Annual Management Charge)	1.50%	
Depositary fee	Up to 0.005%	
Performance fee	Nil	
Administration fee	Up to 0.25%	
Distribution charge (Annual Distribution Charge)	Nil	0.50%
Custody safekeeping fee	Up to 0.3%	
Transaction fees (charged by the Depositary)	Up to USD75 per transaction	
Fund accounting and valuation fees	Up to 0.0083%	

* Where currency hedged share class is offered, a hedging charge of up to 0.03% per annum of the net asset value per share will be borne by the currency hedged share class in relation to which the charge is incurred. The hedging charge will be payable to the management company, which provides the currency hedging service.

Other fees

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

Additional information

- You generally buy and redeem shares at the fund's relevant net asset value ("NAV") after Schroder Investment Management (Hong Kong) Limited or the transfer agent's delegate, The Hongkong and Shanghai Banking Corporation Limited, receives your request, directly or via a distributor, in good order at or before 5pm 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).
- A dividend calendar including details on the distribution frequency and the dividend calculation basis for all available distribution share classes and a composition of the dividend payments (i.e. the percentages of distribution being paid out of capital and net distributable income) for the last twelve months for each of these distribution share classes (i) with a variable distribution policy or (ii) with a fixed dividend policy and paying dividends out of capital are also available from the Schroder Investment Management (Hong Kong) Limited on request and from the Schroders' Internet site (www.schroders.com.hk). This website has not been reviewed by the SFC.
- Past performance information of other share classes offered to Hong Kong investors is available online at www.schroders.com.hk. This website has not been reviewed by the SFC.
- The net asset value of this fund is calculated and the price of shares is published on each dealing day. They are available online at www.schroders.com.hk. This 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.