Schroders

Schroder International Selection Fund
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Dear Shareholder,

Schroder International Selection Fund – Global Multi-Asset Income (the "Fund")

We are writing to inform you that on 29 October 2021 (the "Effective Date") the following changes will be made to the Fund:

- The income target in the Fund's investment objective will change from 5% per annum to a range of 3% - 5% per annum;
- The volatility target will be removed from the Fund's investment objective;
- A new comparator benchmark made up of the following will be added: 30% MSCI AC World Index (USD), 40% Barclays Global Aggregate Corporate Bond Index (USD) and 30% Barclays Global High Yield excl CMBS & EMG 2% (USD);
- The Fund will incorporate binding environmental and/or social characteristic(s), within the meaning of Article 8 of the Sustainable Finance Disclosure Regulation ("SFDR"). Details of the Fund's environmental and/or social characteristics and how it seeks to achieve them will be disclosed in the Fund's investment policy and under a new section called "Sustainability Criteria" in the Fund Characteristics section of the prospectus; and
- The distribution policy for some of the share classes will change.

Rationale

By changing the income target, the investment manager will be able to focus on providing a sustainable income stream and generating income in less favourable market conditions.

Removing the volatility range of 5% - 7% per annum and instead using a market-based comparator for risk analysis provides greater clarity around the expected risk profile. We believe that market-based comparators provide more context compared to an absolute percentage range.

We believe that incorporating sustainability factors into the Fund's strategy aligns with the increasing desire among investors to put their money into investments that can clearly demonstrate their sustainability credentials.

Investment Objective Change

The investment objective of the Fund, which is contained in Schroder International Selection Fund's (the "Company")'s prospectus, will change from:

> "**Investment Objective**
>
> The Fund aims to provide an income distribution of 5% per annum and capital growth over a three to five year period after fees have been deducted by investing in a diversified range of assets and

markets worldwide. The Fund aims to provide a volatility (a measure of how much the Fund's returns may vary over a year) of between 5-7% per annum."

To:

"Investment Objective

The Fund aims to deliver an income of 3-5% per annum and capital growth over a three to five year period after fees have been deducted, by investing in a diversified range of assets and markets worldwide."

Investment Policy Change

From the Effective Date the following paragraph will be added to the Fund's investment policy:

"The Fund maintains a higher overall sustainability score than 30% MSCI AC World Index (USD), 40% Barclays Global Aggregate Corporate Bond Index (USD) and 30% Barclays Global High Yield excl CMBS & EMG 2% index (USD) based on the Investment Manager's rating system. More details on the investment process used to achieve this can be found in the Fund Characteristics section.

The Fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability Information" on the Fund's webpage, accessed via www.schroders.com/en/lu/private-investor/gfc."

Benchmark Change

As from the Effective Date the Benchmark section will change from:

"Benchmark

The Fund's performance should be assessed against its target benchmark, being to provide income of 5% per year and capital growth and the volatility target of 5%-7% per year.
The income and volatility targets have been selected because the Investment Manager deploys strategies that aim to deliver the level of income stated in the investment objective."

To:

Benchmark

"The Fund's performance should be assessed against the income target of 3-5% per year. The Fund's volatility should be compared against 30% MSCI AC World (USD), 40% Barclays Global Aggregate Corporate Bond Index (USD) and 30% Barclays Global High Yield excl CMBS & EMG 2% index (USD). The comparator benchmark is only included for volatility comparison purposes and does not have any bearing on how the Investment Manager invests the Fund's assets. The Fund's investment universe is expected to have limited overlap with the components of the comparator benchmark. The Investment Manager invests on a discretionary basis and there are no restrictions on the extent to which the Fund's portfolio and performance may deviate from the comparator benchmark. The Investment Manager will invest in companies or sectors not included in the comparator benchmark. The comparator benchmark has been selected because the Investment Manager believes that the benchmark is a suitable comparison for volatility purposes given the Fund's investment objective and policy. The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the Fund."

SFDR Sustainability Criteria

From the Effective Date the following section will be added to the Fund's details in the Company's prospectus to detail how it will integrate sustainability factors into its investment policy:

"Sustainability Criteria

The Investment Manager applies governance and sustainability criteria when selecting investments for the Fund. The investable universe is assessed using a number of proprietary tools, as well as external rating services.

The Investment Manager will assess companies against a variety of environmental, social and governance metrics, taking into account issues such as climate change, environmental performance, labour standards and board composition. The Investment Manager will decide whether an investment is eligible for inclusion taking into account the overall ESG score. The multi-asset nature of the Fund means that the Investment Manager will analyse the ESG scores across asset classes as an input into the asset allocation of the Fund. The Investment Manager may select investments, which it deems to contribute to one or more environmental or social objectives, provided that they do no significant harm to any other environmental or social objectives.

The sources of information used to perform the analysis include information provided by the companies, such as company sustainability reports and other relevant company material, as well as Schroders' proprietary sustainability tools and third-party data.

More details on the Investment Manager's approach to sustainability and its engagement with companies are available on the website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures.

The Investment Manager ensures that at least:

- 90% of equities issued by large companies domiciled in developed countries; fixed or floating rate securities and money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries; and
- 75% of equities issued by large companies domiciled in emerging countries; equities issued by small and medium companies; fixed or floating rate securities and money market instruments with a high yield credit rating; and sovereign debt issued by emerging countries,

held in the Fund's portfolio are rated against the sustainability criteria. For the purposes of this test, small companies are those with market capitalisation below €5 billion, medium companies are those between €5 billion and €10 billion and large companies are those above €10 billion.

Distribution Policy change

The share classes affected by the change in distribution policy are listed in the appendix of this letter. The change will come into effect for the distribution due to be paid after the Effective Date and will apply to all distributions going forward. The distribution frequency of the share classes will not change.

As disclosed in the Company's prospectus, we periodically review the fixed distribution Share Classes and reserve the right to make changes. For example if the investment income after expenses is higher than the target fixed distribution, we may declare the higher amount to be distributed. Equally, we may deem it is appropriate to declare a dividend lower than the target fixed distribution.

The share class fees will remain unchanged and the costs of making these changes including regulatory and shareholder communication costs will be borne by Schroder Investment Management (Europe) S.A. which is the Company's management company.

All other key features of the Fund will remain the same.

Redeeming or switching your shares to another Schroders fund

We hope that you will choose to remain invested in the Fund following these changes, but if you do wish to redeem your holding in the Fund or to switch into another of the Company's sub-funds before the changes become effective you may do so at any time up to and including deal cut-off on 28 October 2021. Please ensure that your redemption or switch instruction reaches HSBC Continental Europe, Luxembourg ("HSBC") before this deadline. HSBC will execute your redemption or switch instructions in accordance with the provisions of the Company's prospectus, free of charge, although in some countries local paying agents, correspondent banks or similar agents might charge transaction fees. Local agents might also have a local deal cut-off which is earlier than that described above, so please check with them to ensure that your instructions reach HSBC before the deal cut-off on 28 October 2021.

If you have any questions or would like more information about Schroders' products please visit www.schroders.com or contact your local Schroders office, your usual professional adviser, or Schroder Investment Management (Europe) S.A. on (+352) 341 342 202.

The Board of Directors

Appendix

ISIN codes of share classes affected by the changes

Share class	**Share class currency**	**ISIN code**
A Accumulation	USD	LU0757359368
A Distribution	USD	LU0757359954
A1 Accumulation	USD	LU0757359525
A1 Distribution	USD	LU0757360028
B Accumulation	USD	LU0757359798
B Distribution	USD	LU0757360291
C Accumulation	USD	LU0757359871
C Distribution	USD	LU0757360374
I Accumulation	USD	LU0798851183
I Distribution	USD	LU0879621992
IZ Accumulation	USD	LU1806361371
J Distribution	USD	LU0924044398
X Distribution	USD	LU1476609109
A Distribution	AUD Hedged	LU0911024122
C Distribution	CHF Hedged	LU0908639247
A Accumulation	EUR Hedged	LU0757360457
A Distribution	EUR Hedged	LU0757360960
A1 Accumulation	EUR Hedged	LU0757360531
A1 Distribution	EUR Hedged	LU0757361000
B Accumulation	EUR Hedged	LU0757360614
B Distribution	EUR Hedged	LU0757361182
C Accumulation	EUR Hedged	LU0757360705
C Distribution	EUR Hedged	LU0757361265
Z Accumulation	EUR Hedged	LU0966867227

Share class	Share class currency	ISIN code
Z Distribution	EUR Hedged	LU0966867490
A Accumulation	GBP Hedged	LU0903425840
A Distribution	GBP Hedged	LU0910996080
C Accumulation	GBP Hedged	LU0837757185
I Accumulation	GBP Hedged	LU1365049169
Z Accumulation	GBP Hedged	LU0966867144
A Accumulation	HKD	LU0894485498
A Distribution	HKD	LU0894486033
A Distribution	NOK Hedged	LU1252709727
A1 Accumulation	PLN Hedged	LU1262172189
A1 Distribution	PLN Hedged	LU1273673373
A Distribution	RMB Hedged	LU0924045015
A Accumulation	SEK Hedged	LU1252709990
A Distribution	SEK Hedged	LU1252710493
C Accumulation	SEK Hedged	LU1725193939
A Distribution	SGD	LU1188199696
A Accumulation	SGD	LU0960925559
A Distribution	SGD Hedged	LU0879622024
A Accumulation	SGD Hedged	LU0960925393

List of Share Classes with changing distribution policies in Schroder International Selection Fund – Global Multi-Asset Income

Fund	Share class	Share class currency	Current distribution policy per annum	Future distribution policy per annum	ISIN
Schroder ISF Global Multi-Asset Income	C Distribution (QF)	CHF Hedged	5.00% paid quarterly	3.50% paid quarterly	LU0908639247
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	GBP Hedged	5.00% paid monthly	4.00% paid monthly	LU0910996080
Schroder ISF Global Multi-Asset Income	A Distribution (QF)	NOK Hedged	5.00% paid quarterly	4.00% paid quarterly	LU1252709727
Schroder ISF Global Multi-Asset Income	A Distribution (QF)	SEK Hedged	5.00% paid quarterly	4.00% paid quarterly	LU1252710493
Schroder ISF Global Multi-Asset Income	A Distribution (MFC)*	AUD Hedged	5.00% paid monthly	4.50% paid monthly	LU0911024122
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	CNY Hedged	5.00% paid monthly	4.50% paid monthly	LU0924045015
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	HKD	5.00% paid monthly	4.50% paid monthly	LU0894486033
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	SGD Hedged	5.00% paid monthly	4.50% paid monthly	LU0879622024
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	SGD	5.00% paid monthly	4.50% paid monthly	LU1188199696
Schroder ISF Global Multi-Asset Income	A Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0757359954
Schroder ISF Global Multi-Asset Income	A1 Distribution (QF)	PLN Hedged	5.00% paid quarterly	4.50% paid quarterly	LU1273673373
Schroder ISF Global Multi-Asset Income	A1 Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0757360028
Schroder ISF Global Multi-Asset Income	B Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0757360291
Schroder ISF Global Multi-Asset Income	C Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0757360374
Schroder ISF Global Multi-Asset Income	I Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0879621992
Schroder ISF Global Multi-Asset Income	J Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU0924044398
Schroder ISF Global Multi-Asset Income	X Distribution (MF)	USD	5.00% paid monthly	4.50% paid monthly	LU1476609109

* This refers to the premium or discount that may apply to the distribution. Distributions may include a premium when the interest rate of a currency hedged share class is higher than the fund's base currency interest rate. Consequently when the interest rate of a currency hedged share class is lower than the fund's base currency interest rate, the dividend may be discounted. The level of premium or discount is determined by differences in interest rates and is not part of the fund's investment objective or investment policy.