

**1 February 2018**

Dear Shareholder,

## **Schroder International Selection Fund – European Total Return**

The board of directors of Schroder International Selection Fund (the "Company") has decided to change the name, investment objective and policy, risk management methods and fees charged to Schroder International Selection Fund – European Total Return (the "Fund") with effect from 1 March 2018 (the "Effective Date").

### **Name change**

The Fund's new name will be Schroder International Selection Fund – European Market Neutral.

### **Investment Objective and Policy Change**

As financial markets have evolved we have seen growing interest from clients in funds that offer returns without exposing investors to the full risk of losses arising from the underlying stock markets in which they invest. The current investment objective and policy of the Fund seeks to capture some of the upside of European stock markets whilst limiting the downside. In the future, the approach of the Fund will change to reduce its market exposure. This will have the benefit of reducing the risk of loss, but will also mean that the returns of the Fund will be less directly linked to the growth in the stock markets, and more to the positions the manager takes (both positive and negative) on the companies in which the Fund invests.

The Fund's investment objective and policy, which are contained in the Company's prospectus, are being changed from:

#### **"Investment Objective**

The Fund aims to provide capital growth by investing in equity and equity related securities of European companies. The Fund is designed to participate in rising markets whilst aiming to limit losses in falling markets through the tactical use of derivatives, cash and money market instruments. The limitation of losses cannot be guaranteed.

#### **Investment Policy**

The Fund invests at least two-thirds of its assets in equity and equity related securities of European companies. The Fund may exceptionally hold 100% of its assets in money market instruments or cash. As the Fund is index-unconstrained it is managed without reference to an index.

The Fund may use derivatives (such as but not limited to futures, options and contracts for difference on indices or individual companies to create indirect long and short exposures) with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. Contracts for difference may be used to gain long and short exposure or to hedge exposure on equity and equity

related securities. The gross exposure of contracts for difference will not exceed 200% and is expected to remain within the range of 0% to 100% of the Net Asset Value. In certain circumstances this proportion may be higher."

to:

**"Investment Objective**

The Fund aims to provide an absolute return by investing in equity and equity related securities of European companies. Absolute return means the Fund seeks to provide a positive return over a period of up to 12 months in all market conditions, but this cannot be guaranteed and your capital is at risk.

**Investment Policy**

The Fund invests at least two-thirds of its assets in equity and equity related securities of European companies. The Fund may (exceptionally) hold up to 100% of its assets in money market instruments or cash.

The Fund adopts a market-neutral strategy which aims to deliver returns that are not closely correlated to returns of the European equity markets. As the Fund is index-unconstrained it is managed without reference to an index.

The Fund may use derivatives, long and short, with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently. Contracts for difference may be used to gain long and short exposure or to hedge exposure on equity and equity related securities. The gross exposure of contracts for difference will not exceed 200% and is expected to remain within the range of 0% to 100% of the Net Asset Value. In certain circumstances this proportion may be higher."

**Risk Management Method Change**

The Fund's risk will be monitored using the Absolute Value-at-Risk methodology (previously monitored using the commitment approach). More information on the Value-at-Risk methodology can be found in the Company's prospectus.

As a result of this change in methodology, the Fund's expected level of leverage will now be 150% of total net assets. The expected level of leverage may be higher when volatility decreases sustainably, or when bearish markets are expected.

**Fee Structure Changes**

The management fee of the following share classes will be reduced from the Effective Date:

<b>Share Classes</b>	<b>Current Management Fee</b>	<b>New Management Fee</b>
A Shares	1.50%	1.25%
B Shares	1.50%	1.25%
C Shares	1.00%	0.75%
A1 Shares	1.50%	1.25%

In addition to the management fee, **a performance fee of 20% of the outperformance over 3 Month EUR London Interbank Offer Rate Act 360 (subject to a High Water Mark) will also be charged to all share classes except I shares.** More information on the performance fee calculation methodology can be found in the Company's prospectus.

The ISIN codes of the share classes affected by the above changes are listed in the appendix of this letter.

We hope that you will choose to remain invested in the Fund following these changes, but if you wish to redeem your holding in the Fund or to switch into another of the Company's sub-funds before the Effective Date you may do so at any time up to and including deal cut-off on 28 February 2018. Schroder Investment Management (Luxembourg) S.A. 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 Schrodgers in Luxembourg before the deal cut-off on 28 February 2018.

If you have any questions or would like more information about Schrodgers' products please contact your local Schrodgers office, your usual professional adviser, or Schroder Investment Management (Luxembourg) S.A. on (+352) 341 342 212.

Yours faithfully,



**Cord Rodewald**  
Authorised Signatory



**Alastair Woodward**  
Authorised Signatory

**Appendix**

ISIN codes of share classes affected by the changes

<b>Share class</b>	<b>Share class currency</b>	<b>ISIN code</b>
A Accumulation	EUR	LU0748063764
A1 Accumulation	EUR	LU0801193649
B Accumulation	EUR	LU0801193722
C Accumulation	EUR	LU0748063848
E Accumulation	EUR	LU0811997104
A Distribution	EUR	LU0748064069
A Distribution	GBP	LU0801193995
E Accumulation	GBP Hedged	LU0811997443
A Accumulation	USD Hedged	LU0871500038