

**27 September 2021**

Dear Shareholder,

## **Schroder International Selection Fund – European Equity Yield (the “Fund”)**

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

- the name will change to “Schroder International Selection Fund - European Sustainable Value”;
- the yield target and ability to use derivatives for investment purposes will be removed from the investment policy and a reference to the value strategy will be added; and
- 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.

### **Rationale**

The Fund’s new name provides a clearer description of how it will implement the investment policy – to look for undervalued European companies that meet the investment manager’s sustainable criteria.

The yield target in the investment policy will be removed and new disclosures added given the Fund’s focus on value and sustainability. In addition, the ability to use derivatives for investment purposes is not required for this strategy and will be removed from the investment policy.

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.

### **Name Change**

The Fund's new name will be Schroder International Selection Fund – European Sustainable Value.

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

From the Effective Date, the investment objective and the investment policy of the Fund, which are contained in Schroder International Selection Fund (the “Company”)’s prospectus, will change from:

### **"Investment Objective**

The Fund aims to provide income and capital growth in excess of the MSCI Europe (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of European companies.

### **Investment Policy**

The Fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of European companies.

The Fund will invest in a diversified portfolio of equity and equity related securities whose dividend yield in aggregate is greater than the average market yield. Equities with below average dividend yield may be included in the portfolio when the Investment Manager considers that they have the potential to pay above average yield in future.

The Fund will not be managed for yield alone: total return (dividend yield plus capital growth) will be equally important.

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).

The Fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the Fund more efficiently."

To:

### **"Investment Objective**

The Fund aims to provide income and capital growth in excess of the MSCI Europe (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of European companies which meet the Investment Manager's sustainability criteria.

### **Investment Policy**

"The Fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of European companies.

The Fund maintains a higher overall sustainability score than the MSCI Europe (Net TR) index, based on the Investment Manager's rating criteria. 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](http://www.schroders.com/en/lu/private-investor/gfc).

The Fund invests in companies that have good governance practices, as determined by the Investment Manager's rating criteria (please see the Fund Characteristics section for more details).

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 website [www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures](http://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures).

The Fund applies a disciplined value investment approach, seeking to invest in a select portfolio of companies that the Investment Manager believes are significantly undervalued relative to their long-term earnings potential.

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) .

The Fund may use derivatives with the aim of reducing risk or managing the Fund more efficiently."

### **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 seek to achieve the Fund's environmental and/or social characteristics:

#### **"Sustainability Criteria**

The Investment Manager applies sustainability criteria when selecting investments for the Fund.

Companies are assessed on a variety of ESG factors including how they treat their stakeholders, governance, and environmental impact. Issuers are analysed in three ways – through research conducted by the investment desk, via third party sustainability research and using proprietary sustainability tools. Issuers are not assigned an overall score, but should generally be deemed to have satisfied the Investment Manager's requirements across different assessments in order to be eligible for the Fund's portfolio. The criteria required by the Investment Manager include both quantitative standards (such as minimum ratings) and strong performance in a qualitative assessment of the sustainability of the issuer's business. The weighting of environmental, social and governance factors may be varied to take into account those most relevant for the issuer's particular industry.

The sources of information used to perform this analysis includes information disclosed by companies as well as Schroders' proprietary sustainability tools and third-party research. The Investment Manager will also typically engage with issuers directly to obtain information and to encourage improvements in sustainability performance.

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](http://www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures).

The Investment Manager ensures that at least 90% of companies in the Fund's portfolio are 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, 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 European companies."

### **Removal of Comparator Benchmark**

The Fund's details in the Company's prospectus have been amended to remove the Morningstar Equity Income Category comparator benchmark.

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

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 Schrodgers' products please contact your local Schrodgers 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

<b>Share class</b>	<b>Share class currency</b>	<b>ISIN code</b>
A Accumulation	EUR	LU0106236267
A Distribution	EUR	LU0012050729
A1 Accumulation	EUR	LU0133709153
A1 Distribution	EUR	LU0315084102
B Accumulation	EUR	LU0106236424
B Distribution	EUR	LU0062647861
C Accumulation	EUR	LU0106236770
C Distribution	EUR	LU0062905319
I Accumulation	EUR	LU0134337129
IZ Accumulation	EUR	LU2016215779
S Distribution	EUR	LU1098401067
Z Accumulation	EUR	LU0968427913
Z Distribution	EUR	LU0968428051
A Distribution	GBP	LU0242609765
A Distribution	RMB Hedged	LU1056829481
A Distribution	SGD Hedged	LU0981932865
A Distribution	USD Hedged	LU0981932782
A1 Accumulation	USD Hedged	LU1031140806
A1 Distribution	USD Hedged	LU1031140988