

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

October 2013

***This statement provides you with key information about this product.
This statement is a part of the offering document and should be read in conjunction
with the offering document.
You should not invest in this product based on this statement alone.***

Quick facts

Management company:	Schroder Investment Management (Luxembourg) S.A.
Investment manager:	Schroder Investment Management North America Inc., located in the United States of America, internal delegation
Custodian:	J.P. Morgan Bank Luxembourg S.A.
Dealing frequency:	Daily
Base currency:	USD
Dividend policy:	<p>A, A1 and D Accumulation share class – Dividend will not be distributed but will be reinvested into the fund.</p> <p>A, A1 and D Distribution share class – The board of directors has discretion as to whether or not to make any distribution.</p> <p>Distributions may be paid out of capital and reduce the fund's net asset value.</p> <p>The board of directors of Schroder International Selection Fund will periodically review the distribution share classes and reserve the right to change the rate and/or frequency of distributions of distribution share classes, subject to one month's prior notification to the relevant shareholders. If the board of directors does not intend to retain the flexibility to pay dividends or expenses out of capital, the change will be subject to the SFC's prior approval and one month's prior notification to the relevant shareholders.</p>
Financial year end of this fund:	31 December
Minimum investment:	A, A1 and D share class: Initial – EUR1,000 or USD1,000; Subsequent investment – EUR1,000 or USD1,000

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

To provide a return of capital growth and income primarily through investment in a portfolio of bonds and other fixed and floating rate securities denominated in various currencies and issued by governments, government agencies, supra-national and corporate issuers worldwide. A maximum of 20% of the net assets of the fund will be held in securities issued by governments.

Use of financial derivative instruments (“FDI”)

The fund may employ FDI for hedging and investment purposes. FDI may be employed for instance to generate additional income from exposure to credit risk in purchasing or selling protection through credit default swaps, to adjust the fund’s duration through the tactical use of interest related FDI, to generate additional income through inflation or volatility linked FDI or to increase its currency exposure through the use of currency related FDI. FDI could also be employed to create synthetic instruments. Such FDI include over-the-counter and/or exchange traded options, futures, warrants, swaps, forward contracts and/or a combination of the above.

The fund may use FDI extensively for investment purposes but it is not limited to a particular strategy regarding the usage of FDI. The fund employs the relative Value-at-Risk (VaR) approach to measure its global risk exposure. The relative VaR approach is used for funds where a VaR benchmark reflecting the investment strategy which the fund is pursuing is defined. The expected level of leverage of the fund is 200% of the total net assets by using sum of notionals approach or in the range of 0% to 150% by using commitment approach. The expected level of leverage may be higher when volatility decreases sustainably, when interest rates are expected to change or when credit spreads are expected to widen or tighten. The level of leverage using sum of notionals approach is calculated as (i) the sum of notionals of all FDI entered into by the fund expressed as a percentage of the fund’s net asset value and (ii) any additional leverage generated by the reinvestment of collateral in relation to efficient portfolio management transactions. The expected level of leverage using commitment approach takes into account the market value of the equivalent position in the underlying asset of FDI or FDI’s notional value, as appropriate and allows in certain circumstances (i) the exclusion of certain types of non-leveraged swap transactions or certain leverage free transactions and (ii) the consideration of netting and hedging transactions. The expected level of leverage is an indicator and not a regulatory limit.

What are the key risks?

Investment involves risk. Please refer to the offering document for details including the risk factors.

1. Debt securities

The fund’s investment in debt securities may be subject to interest rate risk and credit risk. The fund may invest in securities which will not be rated by a nationally recognized statistical rating organization or lower rated securities. These instruments are subject to greater market and credit risks than higher rated securities.

2. Interest rates risk

Changes in market interest rates will affect the value of debt securities held by the fund. Generally, the market value decreases when interest rates rise and increases when interest rates fall. Any fluctuations in interest rates may adversely affect the net asset value per share of the fund and investors may as a result suffer losses.

3. Credit risk

Investment in bonds or other debt securities is subject to the credit risk of the issuer. In the event that any issuer of bonds or other debt securities in which the fund invests defaults, becomes insolvent or experiences financial or economic difficulties, this may affect the value of the relevant securities (which may be zero) and may in turn adversely affect the net asset value per share of the fund and investors may suffer losses.

4. Lower or unrated, higher yielding debt securities risk

The fund may invest substantially in non-investment grade and unrated securities. Investments in such debt securities are subject to greater credit risk than higher rated securities. There is greater possibility that adverse changes in the financial conditions of an issuer of such lower rated securities may impair the ability of such issuer to make payments to holders of the securities and this may adversely affect the net asset value of the fund.

5. Sovereign debt risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of risk. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In the event that a government entity defaults on its sovereign debt, holders of sovereign debt, including the fund, may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant government entity. Such events may negatively impact the performance of the fund.

6. FDI

The fund may use FDI extensively to meet its specific investment objective. There is no guarantee that the performance of FDI will result in a positive effect for the fund. FDI exposure may lead to a high risk of significant capital loss. Risks associated with FDI include:

- **Credit risk and Counterparty risk** – The fund will be subject to the risk of the inability of any counterparty through or with which the fund conducts the FDI transactions to perform its obligations, whether due to insolvency, bankruptcy or other causes.
- **Liquidity risk** – There may be possible absence of a liquid secondary market for any particular FDI at any time. The fund may be unable to sell illiquid FDI at an advantageous time or price and results in a reduction of returns.
- **Valuation risk** – The fund is subject to the risk of mispricing or improper valuation of FDI.
- **Volatility risk** – The fund is subject to the risk of higher volatility of the returns as FDI usually have a leverage component.
- **Over-the-counter (“OTC”) transaction risks** – FDI traded in OTC markets may be more volatile and less liquid. Its prices may include an undisclosed dealer mark-up which a fund may pay as part of the purchase price.
- **Hedging risk** – 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. Risks relating to high expected leverage

The fund may have a net leverage exposure of over 100% of its net asset value to FDI. In adverse situations, this may result in a significant loss of the fund's assets.

8. 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.
- Distributions from capital may include a premium or discount which is determined by differences in the interest rates of the reference currency of the hedged share class and the fund currency. It is possible that there may be an increase in the amount of the distribution that is paid out of capital and hence a greater erosion of capital than other share classes. The distribution and net asset value of the share class may be positively or adversely affected by the differences in the interest rates of the reference currency of the hedged share class and the fund currency. The distribution and net asset value of the hedged share class may, therefore fluctuate more than, and may significantly differ from, other share classes.
- 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 of shares.**

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	D
Subscription fee (Initial charge)	Up to 3.00% of the total subscription amount	Up to 2.00% of the total subscription amount	Nil
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 fund's value)		
Share class	A	A1	D
Management fee	0.75%	0.75%	0.75%
Custodian fee	Up to 0.005%		
Performance fee	Nil		
Administration fee	Up to 0.4%		
Distribution charge	Nil	0.50%	1.00%
Custody safekeeping fee	Up to 0.5%		
Transaction fees (charged by the custodian)	Up to USD150 per transaction		
Fund accounting and valuation fees	Up to 0.02%, subject to an annual minimum fee of USD20,000		

Other fees

You may have to pay other fees when dealing in the shares of the fund. Please refer to “Other Charges and Expenses” of 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 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).
- The net asset value of this fund is calculated and the price of shares is published on each business day in the South China Morning Post and the Hong Kong Economic Times. They are also available online at www.schroders.com.hk.

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.