

Tel : (+352) 341 342 202 Fax : (+352) 341 342 342

20 April 2015

Dear Shareholder,

**Schroder GAIA – QEP Global Absolute
merger with Schroder International Selection Fund – QEP Global Absolute**

We are writing to advise you that on 27 May 2015 (the **Effective Date**), Schroder GAIA – QEP Global Absolute (the **Merging Fund**) will merge with Schroder International Selection Fund – QEP Global Absolute (the **Receiving Fund**) (the **Merger**). Shareholders in the Merging Fund will receive the equivalent value of shares in the Receiving Fund in place of their current shares in the Merging Fund.

As a result of the Merger you will become a shareholder of Schroder International Selection Fund (the **Receiving Company**), another UCITS also incorporated in the Grand Duchy of Luxembourg. The management company Schroder Investment Management (Luxembourg) S.A. (the **Management Company**) and the investment manager Schroder Investment Management Limited (the **Investment Manager**) of the Merging Fund and Receiving Fund will remain the same. The Merger was authorised by the Commission de Surveillance du Secteur Financier on 2 April 2015.

Investment objectives and policies

Both the Merging Fund and the Receiving Fund have the primary objective to provide capital growth. The Receiving Fund has the same synthetic risk and reward indicator¹ as the Merging Fund.

Share classes and annual investment management fee changes

The table below summarises the annual investment management charge (the **AMC**) and on-going charges (the **OGC**) for the share classes of the Merging Fund and the Receiving Fund. Please note that the OGC includes the AMC and all other charges and expenses.

Share class	Merging Fund		Receiving Fund	
	AMC	OGC	AMC	OGC estimate ²
A	1.75%	2.70%	1.50%	2.10%
C	1.00%	1.95%	0.75%	1.25%
I	0.00%	0.95%	0.00%	0.35%

¹ The synthetic risk and reward indicator (SRRI) defines the risk category of the fund in its key investor information document (KIID) and is calculated based on the volatility and the risk limit of the fund.

² Percentages are per annum and are stated with reference to the net asset value per share. The OGCs include, where applicable, the distribution charge, shareholder servicing charge, investment management fee and other administration costs including the fund administration, custodian and transfer agency costs. They include the management fees and administration costs of the underlying investment funds in the portfolios. The OGCs are as at 31 December 2014 for the Merging Fund. The OGCs for the Receiving Fund are a post-merger estimate.

The base currency of both the Merging Fund and the Receiving Fund is USD. A full summary of which Merging Fund share classes will be merged into which Receiving Fund share classes can be found in the appendix.

Performance fees of the Merging Fund, if any, will be crystallised on the Effective Date and paid to the Investment Manager shortly thereafter. The Receiving Fund's initial high water mark will be the Receiving Fund's price at launch. The difference in rate of performance fee between the Merging Fund and the Receiving Fund can be found in the appendix.

Dealing cut-off time and settlement periods for subscriptions and redemptions

The dealing cut-off time of the Receiving Fund is 1.00 p.m. Luxembourg time one business day preceding the relevant dealing day and orders that reach the Management Company before the cut-off time will be executed on dealing day. The settlement periods for subscription and redemption are within three business days following a dealing day.

A key features comparison table about the Merging Fund and the Receiving Fund (including the share class changes) can be found in the appendix of this letter.

Merger

This Merger notice is required by Luxembourg law.

Upon review, the board of directors of the Company and the board of directors of the Receiving Company concluded that, shareholders in the Merging Fund will benefit from a merger into the Receiving Fund. Shareholders in the Merging Fund will be merged into a sub-fund which will give shareholders access to capital growth at a lower cost due to the Receiving Company's economies of scale and fee structure. The Merging Fund has approximately 35 million US dollars under management as of 31 March 2015 while the Receiving Fund will be launched on the date of Merger. The investment criteria and strategy of the Receiving Fund will be the same as those of the Merging Fund. Following the Merger there will be no change of investment teams which currently manage the Merging Fund.

It is expected that the level of leverage of the Receiving Fund will be around 500%. While this figure is higher than the amount disclosed in the prospectus of the Company for the Merging Fund, it has been decided to set the expected level of leverage of the Receiving Fund at 500% to take into account the fact that the level of leverage of the Merging Fund has increased over time and therefore to reflect more accurately in the prospectus of the Receiving Company the actual level of leverage observed recently. This increase of level of leverage is not the consequence of a change of investment policy or strategy.

The performance track record of the Merging Fund will be retained in the key investor information document of the Receiving Fund with the appropriate disclosure about the Merger. A key features comparison table about the Merging Fund and the Receiving Fund can be found in the appendix of this letter.

— Costs and expenses of the Merger

The Merging Fund has no outstanding set-up costs. The expenses incurred in the Merger, including the legal, advisory and administrative costs, will be borne by the Management Company. From 20 April 2015, in order to account for the market-related transaction costs associated with the disposal of any investments that would not fit well in the Receiving Fund's portfolio, or associated with redemption or switch orders received during the period leading up to the Merger, the Merging Fund's net asset value per share will be adjusted down each time there is a net outflow from the Merging Fund by means of a dilution adjustment. In the unlikely event that there are net inflows to the Merging Fund during this period the net asset value per share will be adjusted upwards. Costs associated with portfolio trading required to align the Merging Fund's portfolio with that of the Receiving Fund from 20 April 2015 to the date of the Merger will be included in the calculation of the net asset values per share calculated for those days. Further information relating to dilution adjustments is available in the prospectus of the Company in section 2.4 "Calculation of Net Asset Value".

— **Exchange ratio, treatment of accrued income and consequences of the Merger**

On the Effective Date, the net assets of the Merging Fund will be transferred to the Receiving Fund. As the Receiving Fund will be launched at the time of the transfer of the assets of the Merging Fund, the exchange ratio will be 1:1. The shareholders will exchange their shares of the Merging Fund for the same number of shares of the Receiving Fund, in the corresponding share class subject to immaterial rounding adjustments.

Any accrued income relating to the Merging Fund's shares at the time of the Merger will be included in the calculation of the final net asset value per share of the Merging Fund and will be accounted for after the Merger in the net asset value per share of the Receiving Fund.

You will thus become a shareholder of the Receiving Fund, in the share class which corresponds to your current holding in the Merging Fund. A full summary of which Merging Fund share classes will be merged into which Receiving Fund share classes can be found under section "Existing and New Share Class Mapping" in the appendix. Since the Receiving Company will also be a UCITS, the shareholders of the Company will continue to benefit after the Effective Date from the same regulatory protection than under the Company.

The first dealing date for your shares in the Receiving Fund will be 28 May 2015, the related deal cut-off for this dealing day being 1.00 p.m. Luxembourg time one business day preceding the relevant dealing day.

— **Rights of shareholders to redeem/switch**

If you do not wish to hold shares in the Receiving Fund from the Effective Date, you have the right to redeem your holding in the Merging Fund or to switch into another Schroder fund at any time up to and including the dealing day on 21 May 2015.

We will execute your redemption or switch instructions in accordance with the provisions of the prospectus of the Company 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 the Management Company before the 1.00 p.m. Luxembourg time deal cut-off on 20 May 2015.

— **Tax status**

The conversion of shares at the time of the Merger and / or your redemption or switch of shares prior to the Merger might affect the tax status of your investment. We therefore recommend you to seek independent professional advice in these matters.

— **Further information**

We advise shareholders to read the Receiving Fund's key investor information document (the **KIID**) which accompanies this letter. The attached KIID is a representative KIID for the Receiving Fund, showing information for the share class with the highest OGC (A share class). It will, together with the KIIDs of all other available share classes, be available at www.schroders.lu from the Effective Date. The prospectus of the Receiving Company is also available at that address.

An audit report will be prepared by the approved statutory auditor of the Receiving Company in relation to the Merger and will be available free of charge upon request from the Management Company.

We hope that you will choose to remain invested in the Receiving Fund after the Merger. If you would like more information, please contact your local Schroders office or your usual professional advisor or the Management Company on (+352) 341 342 212.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'N. Fessey', with a long horizontal stroke extending to the right.

Noel Fessey
Authorised Signatory

A handwritten signature in black ink, appearing to read 'N. Wolff', with a long horizontal stroke extending to the right.

Nathalie Wolff
Authorised Signatory

Appendix

Key Features Comparison Table

The following is a comparison of the principal features of the Merging Fund and the Receiving Fund. Full details are set out in their prospectuses.

	Merging Fund Schroder GAIA – QEP Global Absolute	Receiving Fund Schroder International Selection Fund – QEP Global Absolute
Legal structure	<p>Schroder GAIA</p> <p>a société anonyme incorporated in the Grand Duchy of Luxembourg, having its registered office at 5, Rue Höhenhof, L-1736 Senningerberg, Grand Duchy of Luxembourg registered with the Luxembourg Registre de Commerce et des Sociétés under number B.148818 and qualifies as société d'investissement à capital variable organised as an umbrella fund pursuant to Part I of the law of 17 December 2010 on undertakings for collective investment, as amended.</p>	<p>Schroder International Selection Fund</p> <p>a société anonyme incorporated in the Grand Duchy of Luxembourg, having its registered office at 5, Rue Höhenhof, L-1736 Senningerberg, Grand Duchy of Luxembourg registered with the Luxembourg Registre de Commerce et des Sociétés under number B.8202 and qualifies as société d'investissement à capital variable organised as an umbrella fund pursuant to Part I of the law of 17 December 2010 on undertakings for collective investment, as amended.</p>
Prospectus Investment Objective and Policy	<p>Investment Objective:</p> <p>To provide capital growth.</p> <p>Absolute return means the Fund seeks to provide a positive return over a 12 month period in all market conditions, but this cannot be guaranteed.</p> <p>Investment Policy:</p> <p>In order to achieve the objective, the Investment Manager will invest primarily in undervalued companies worldwide, selected through the application of analytical techniques. Investments will be made through direct investment in equity and equity related securities, or indirectly through the use of financial derivative instruments.</p> <p>To maximise the return, the Investment Manager may seek to take synthetic long and short positions through the use of cash settled financial derivative instruments (up to a maximum of 200% long and 200% short of the Net Asset Value of the Fund).</p> <p>At times where it is considered appropriate, prudent levels of</p>	<p>(The Receiving Fund is classified as an "Absolute Return Fund" under the prospectus. Appendix III of the prospectus has defined Absolute Return Funds as follows:</p> <p>The Funds categorised as "Absolute Return Funds" are managed with a view to generating a positive return (i.e. greater than zero) over a period of no more than 12 months. The Investment Manager will seek to generate such a return even in falling markets (or in expectation of falling markets) by either shorting (on a covered basis) the various sources of return and/or moving into cash and cash equivalents. There is no guarantee that such objective may be achieved.)</p> <p>Investment Objective:</p> <p>To provide capital growth.</p> <p>Investment Policy:</p> <p>The Fund will be invested directly or indirectly through the use of financial derivative instruments, in equity and equity related securities of companies worldwide.</p> <p>The Fund will invest in a broadly</p>

	Merging Fund Schroder GAIA – QEP Global Absolute	Receiving Fund Schroder International Selection Fund – QEP Global Absolute
	<p>liquidities will be maintained, which may be substantial or even represent (exceptionally) 100% of the Fund assets.</p> <p>The Fund may invest up to 10% of its assets in open ended Investment Funds.</p> <p>The Fund may employ financial derivative instruments for hedging and investment purposes. Financial derivative instruments may include options, forwards, futures, warrants, contracts for difference, swaps and currency forwards.</p>	<p>diversified portfolio of long and short positions. Long positions will be taken in companies which are considered to be undervalued whereas short positions will be taken in companies which are considered to be overvalued. Whether a company is over or undervalued will be assessed by examining its price in relation to, for example, its profitability, stability and financial strength.</p> <p>To maximise the return, the Fund may seek to take synthetic long and short positions through the use of cash settled financial derivative instruments. Its long positions could be up to a maximum of 200% of the Net Asset Value of the Fund (which may be achieved directly or via financial derivative instruments, typically equity portfolio swaps) and its short positions could be up to 200% of the Net Asset Value of the Fund (achieved entirely through financial derivative instruments, typically equity portfolio swaps). Where the Fund uses total return swaps, the underlying consists of instruments in which the Fund may invest according to its Investment Objective and Policy. The investment strategy of the Fund and the use of financial derivative instruments may lead to situations where levels of cash and cash equivalents may be substantial or even represent 100% of the Fund's assets.</p> <p>The Fund may also invest in exchange traded funds, exchange traded equity index futures and currency forwards. For more information please refer to Appendix II of the prospectus.</p>
KIID Objectives and Investment Policy	<p>Objectives:</p> <p>The fund aims to provide capital growth.</p> <p>Absolute return means the fund seeks to provide a positive return over a 12 month period in all market conditions, but this cannot be guaranteed and your capital is at risk.</p>	<p>Objectives:</p> <p>The fund aims to provide capital growth.</p> <p>Absolute return means the fund seeks to provide a positive return over a 12 month period in all market conditions, but this cannot be guaranteed and your capital is at risk.</p>

	Merging Fund Schroder GAIA – QEP Global Absolute	Receiving Fund Schroder International Selection Fund – QEP Global Absolute
	<p>Investment Policy:</p> <p>At least two-thirds of the fund (excluding cash) will be invested in shares of companies worldwide. The fund has no bias to any particular size of company or industry.</p> <p>Our views on the factors that contribute to share price returns are fed into a model which allows us to analyse over 15,000 companies on a daily basis. We are then able to build a highly diversified portfolio of over 500 companies minimising the risk that performance of a single stock could significantly affect the performance of the overall fund.</p> <p>The fund may also invest in other financial instruments and hold cash on deposit. Derivatives may be used to achieve the investment objective and to reduce risk or manage the fund more efficiently. The fund may use leverage and take short positions.</p>	<p>Investment Policy:</p> <p>At least two-thirds of the fund (excluding cash) will be exposed, long or short, to shares of companies worldwide. The fund has no bias to any particular size of company or industry.</p> <p>Our views on the factors that contribute to share price returns are fed into a model which allows us to analyse over 15,000 companies. We are then able to build a highly diversified portfolio of over 500 companies minimising the risk that performance of a single stock could significantly affect the performance of the overall fund.</p> <p>The fund may also invest in other financial instruments and hold cash on deposit. Derivatives may be used to achieve the investment objective and to reduce risk or manage the fund more efficiently. The fund's holdings will be sufficiently liquid at all times to cover the fund's obligations arising from its derivative positions. This may lead to situations where the fund holds substantial levels of cash (which may represent 100% of the fund's assets). The fund may use leverage and take short positions.</p>
Synthetic Risk and Reward Indicator (SRR)	Category 6	Category 6

	Merging Fund Schroder GAIA – QEP Global Absolute	Receiving Fund Schroder International Selection Fund – QEP Global Absolute
KIID risk disclosures	<p>Counterparty risk / derivatives: If a counterparty to a financial derivative contract were to default, the unrealised profit on the contract and its market exposure may be lost.</p> <p>Financial techniques / derivative outcome: There is no guarantee that a financial derivative contract will achieve its intended outcome, even if the terms of the contract are completely satisfied.</p> <p>Operational risk / third parties: The fund's operations depend on third parties and it may suffer disruption or loss in the event of their failure.</p>	<p>Counterparty risk / derivatives: If a counterparty to a financial derivative contract were to default, the unrealised profit on the contract and its market exposure may be lost.</p> <p>Financial techniques / derivative outcome: There is no guarantee that a financial derivative contract will achieve its intended outcome, even if the terms of the contract are completely satisfied.</p> <p>Leverage risk / derivatives: The fund makes significant use of financial derivative instruments, which may amplify gains and losses on its investments.</p> <p>Operational risk / third parties: The fund's operations depend on third parties and it may suffer disruption or loss in the event of their failure.</p>
Profile of the Typical Investor	The Fund may be suitable for investors who are more concerned with maximising long term returns than minimising possible short term losses.	The Fund may be suitable for Investors who are seeking long term growth potential offered through investment in equities, debt securities, liquidities and/or currency markets and UCIs.
Fund Category	Absolute Return Funds	Absolute Return Funds
Fund Currency	USD	USD
Launch Date	3 August 2010	27 May 2015
Total Fund Size (million) as at 31 March 2015	USD 35 million	0
Dealing Cut-off Time and Settlement Periods for Subscriptions and Redemptions	<p>Orders must reach the Management Company before 13:00 Luxembourg time one business day preceding dealing day for orders to be executed on dealing day.</p> <p>The settlement periods for subscription and redemption are within three business days following a dealing day.</p>	<p>Orders must reach the Management Company before 13:00 Luxembourg time one business day preceding dealing day for orders to be executed on dealing day.</p> <p>The settlement periods for subscription and redemption are within three business days following a dealing day.</p>
Initial Charge	A: Up to 3.00%	A: Up to 3.00% of the total subscription amount (equivalent to 3.09278% of the Net Asset Value per Share)

	Merging Fund Schroder GAIA – QEP Global Absolute	Receiving Fund Schroder International Selection Fund – QEP Global Absolute
	C: Up to 1.00% I: None	C: Up to 1.00% of the total subscription amount (equivalent to 1.0101% of the Net Asset Value per share) I: None
Management Fees by Share Class	A: 1.75% per annum C: 1.00% per annum I: 0.00% per annum	A: 1.50% per annum C: 0.75% per annum I: 0.00% per annum
Performance Fees by Share Class	A: 20% (the multiplier) of the outperformance over the BBA Libor USD 3 Month Act 360 benchmark subject to a High Water Mark C: 20% (the multiplier) of the outperformance over the BBA Libor USD 3 Month Act 360 benchmark subject to a High Water Mark I: 0.00%	A: 10% of the outperformance over the BBA Libor USD 3 Month Act 360 benchmark subject to a High Water Mark C: 10% of the outperformance over the BBA Libor USD 3 Month Act 360 benchmark subject to a High Water Mark I: 0.00%
Distribution Charge by Share Class	A: 0.00% per annum C: 0.00% per annum I: 0.00% per annum	A: 0.00% per annum C: 0.00% per annum I: 0.00% per annum

Existing and New Share Class Mapping

Merging Fund Schroder GAIA – QEP Global Absolute		Receiving Fund Schroder International Selection Fund – QEP Global Absolute	
Existing Share Class Held	ISIN Codes	New Share Class to be Held	ISIN Codes
A Accumulation USD	LU0514535904	A Accumulation USD	LU1201919427
C Accumulation USD	LU0514536118	C Accumulation USD	LU1201919690
I Accumulation USD	LU0514533529	I Accumulation USD	LU1201919773
A Accumulation EUR Hedged	LU0514536464	A Accumulation EUR Hedged	LU1201919856
C Accumulation EUR Hedged	LU0514536548	C Accumulation EUR Hedged	LU1201919930
I Accumulation EUR Hedged	LU0514533958	I Accumulation EUR Hedged	LU1201920193
C Accumulation GBP Hedged	LU0514536381	C Accumulation GBP Hedged	LU1201920276
I Accumulation GBP Hedged	LU0514533792	I Accumulation GBP Hedged	LU1201920359

The Merger will also apply to any additional share classes launched prior to the Effective Date. Currently there is no intention to launch any share classes prior to the Effective date.