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**30 May 2014**

Dear Shareholder,

**Schroder International Selection Fund – US Equity Alpha  
 merger with Schroder International Selection Fund – US Large Cap**

We are writing to advise you that on 1 July 2014 (the **Effective Date**), Schroder International Selection Fund – US Equity Alpha (the **Merging Fund**) will merge with Schroder International Selection Fund – US Large Cap (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.

The merger was authorised by the Commission de Surveillance du Secteur Financier on 28 April 2014.

**Investment objectives and policies**

Both the Merging Fund and the Receiving Fund have the primary objective to provide capital growth through investment in US equities, and the Receiving Fund has the same synthetic risk and reward indicator<sup>1</sup> 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. There is no equivalent E share class in the Receiving Fund, so the Merging Fund's E share class will merge into the Receiving Fund's C share class. Please note that the AMC for the Merging Fund's E share class is 0.50% whereas the AMC for the Receiving Fund's C share class is 0.75%.

Share class	Merging Fund		Receiving Fund	
	AMC	OGC	AMC	OGC estimate <sup>2</sup>
<b>A</b>	1.50%	1.98%	1.25%	1.67%
<b>A1</b>	1.50%	2.48%	1.50%	2.42%
<b>B</b>	1.50%	2.58%	1.25%	2.27%
<b>C</b>	1.00%	1.38%	0.75%	1.07%
<b>E</b>	0.50%	0.88%	Not issued	
<b>I</b>	0.00%	0.14%	0.00%	0.07%

<sup>1</sup> 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 of returns.

<sup>2</sup> 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 January 2014 for the Merging Fund. The OGCs for the Receiving Fund are a post-merger estimate.

## **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 on the dealing day and orders that reach Schroder Investment Management (Luxembourg) S.A., the management company of the Company (the **Management Company**) before the cut-off time will be executed on that 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.

The Merging Fund is too small to be managed cost-effectively (it had approximately 34 million US Dollars under management on 31 March 2014) and it is unlikely to grow in the near future. We believe that the Receiving Fund will provide the Merging Fund's shareholders with better access to capital growth potential with less risk and, for the majority of shareholders, at lower cost. The AMC and OGC are also lower for all equivalent share classes in the Receiving Fund.

### **— 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 30 May 2014, 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 30 May 2014 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 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. For the shares of each class that they hold in the Merging Fund, shareholders will receive an equal amount by value of shares of the corresponding class (as described under section "Share classes and annual investment management fee changes" above) in the Receiving Fund, calculated at the net asset value per share of the Merging Fund and the Receiving Fund on the Effective Date.

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 as described under section "Share classes and annual investment management fee changes" above. If you hold the E share class you will become a shareholder of the relevant C share class.

The first dealing date for your shares in the Receiving Fund will be 2 July 2014, the related deal cut-off for this dealing day being 1.00 p.m. Luxembourg time on the same date.

### **— 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 24 June 2014.

We will execute your redemption or switch instructions in accordance with the provisions of the 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 reaches us in Luxembourg before the 1.00 p.m. Luxembourg time deal cut-off on 24 June 2014.

Subscriptions or switches into the Merging Fund from new investors will not be accepted after deal cut-off on 30 May 2014. To allow sufficient time for changes to be made to regular savings plans and similar facilities, subscriptions or switches into the Merging Fund will be accepted from existing investors until 24 June 2014 (deal cut-off at 1.00 p.m. on 24 June 2014).

— **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 is only accurate as at the Effective Date. It will, together with the KIIDs of all other available share classes, be available at [www.schroders.lu](http://www.schroders.lu) from the Effective Date. The prospectus is also available at that address.

An audit report will be prepared by the approved statutory auditor 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,



**Noel Fessey**  
Authorised Signatory



**Marco Zwick**  
Authorised Signatory

## Appendix

## Key Features Comparison Table

The following is a comparison of the principal features of the Merging Fund and the Receiving Fund. Both are sub-funds of Schroder International Selection Fund. Full details are set out in the Prospectus and shareholders are also advised to consult the KIID of the Receiving Fund which accompanies this letter.

	<b>Merging Fund</b> <i>Schroder International Selection Fund – US Equity Alpha</i>	<b>Receiving Fund</b> <i>Schroder International Selection Fund – US Large Cap</i>
<b>Prospectus Investment Objective and Policy</b>	<p><b>Investment Objective:</b></p> <p>To provide capital growth primarily through equity and equity related securities of US companies. In order to achieve the objective, the Investment Manager will invest in a select portfolio of securities, which it believes offer the best potential for future growth.</p>	<p><b>Investment Objective:</b></p> <p>To provide capital growth primarily through investment in equity securities of US large cap companies. Large cap companies are companies which, at the time of purchase, are considered to form the top 85% by market capitalisation of the US market.</p>
<b>KIID Objectives and Investment Policy</b>	<p><b>Objectives:</b></p> <p>The fund aims to provide capital growth.</p> <p><b>Investment Policy:</b></p> <p>At least two-thirds of the fund will be invested in a concentrated range of shares of US companies with no bias to any particular industry or size of company.</p> <p>'Alpha' funds invest in companies in which we have a high conviction that the current share price does not reflect the future prospects for that business. The fund will typically hold shares in less than 50 companies which we believe offer the best potential for future growth. Our analysts focus on finding companies where we can exploit a 'growth gap' which means looking for companies with unrecognised or underappreciated earnings growth potential.</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.</p>	<p><b>Objectives:</b></p> <p>The fund aims to provide capital growth.</p> <p><b>Investment Policy:</b></p> <p>At least two-thirds of the fund (excluding cash) will be invested in the shares of larger-sized US companies. The companies will be in the top 85% by size of the US market at the time of purchase.</p> <p>The fund invests in some of the world's largest, industry-leading companies. We focus on finding companies where we can exploit a 'growth gap' which means looking for companies with unrecognised or underappreciated earnings potential. The fund may make some non-US investments but the companies must be listed on one of the major North American stock exchanges.</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.</p>
<b>Synthetic Risk and Reward Indicator (SRI)</b>	Category 6	Category 6

	<b>Merging Fund</b> <i>Schroder International Selection Fund – US Equity Alpha</i>	<b>Receiving Fund</b> <i>Schroder International Selection Fund – US Large Cap</i>
<b>KIID risk disclosures</b>	<b>Operational risk / third parties:</b> The fund's operations depend on third parties and it may suffer disruption or loss in the event of their failure.	<b>Operational risk / third parties:</b> The fund's operations depend on third parties and it may suffer disruption or loss in the event of their failure.
<b>Profile of the Typical Investor</b>	The Fund may be suitable for investors who are more concerned with maximising long term returns than minimising possible short term losses.	The Fund will be suitable for investors who are seeking long term growth potential offered through investment in equities.
<b>Fund Category</b>	Alpha Equity Fund	Mainstream Equity Fund
<b>Fund Currency</b>	USD	USD
<b>Launch Date</b>	15 December 2010	2 August 1993
<b>Total Fund Size (million) as at 31 March 2014</b>	USD 34	USD 790
<b>Dealing Cut-off Time and Settlement Periods for Subscriptions and Redemptions</b>	Orders must reach the Management Company before 13:00 Luxembourg time on the dealing day to be executed on that day.  The settlement periods for subscription and redemption are within three business days following a dealing day.	Orders must reach the Management Company before 13:00 Luxembourg time on the dealing day to be executed on that day.  The settlement periods for subscription and redemption are within three business days following a dealing day.
<b>Initial Charge</b>	A: 5% of the total subscription amount (equivalent to 5.26315% of the net asset value per share) A1: 4% of the total subscription amount (equivalent to 4.16667% of the net asset value per share) B: None C: Up to 1% of the total subscription amount (equivalent of 1.0101% of the net asset value per share) E: Up to 1% of the total subscription amount (equivalent of 1.0101% of the net asset value per share) I: None	A: 5% of the total subscription amount (equivalent to 5.26315% of the net asset value per share) A1: 4% of the total subscription amount (equivalent to 4.16667% of the net asset value per share) B: None C: Up to 1% of the total subscription amount (equivalent of 1.0101% of the net asset value per share) E: Class not issued I: None

<b>Management Fees by Share Class</b>	A: 1.50% per annum A1: 1.50% per annum B: 1.50% per annum C: 1.00% per annum E: 0.50% per annum I: 0.00% per annum	A: 1.25% per annum A1: 1.50% per annum B: 1.25% per annum C: 0.75% per annum E: Class not issued I: 0.00% per annum
<b>Distribution Charge by Share Class</b>	A: 0.00% per annum A1: 0.50% per annum B: 0.60% per annum C: 0.00% per annum E: 0.00% per annum I: 0.00% per annum	A: 0.00% per annum A1: 0.50% per annum B: 0.60% per annum C: 0.00% per annum E: Class not issued I: 0.00% per annum
<b>On-going charge<sup>3</sup> (OGC) per share class</b>		
A Accumulation USD	1.98%	1.67%
A1 Accumulation USD	2.48%	2.42%
B Accumulation USD	2.58%	2.27%
C Accumulation USD	1.38%	1.07%
E Accumulation USD	0.88%	Class not issued
I Accumulation USD	0.14%	0.07%
E Accumulation EUR	0.88%	Class not issued
A Distribution GBP	1.98%	1.67%
<b>ISIN Codes for share classes involved in the merger</b>		
A Accumulation USD	LU0562796101	LU0106261372
A1 Accumulation USD	LU0800023862	LU0133715804
B Accumulation USD	LU0800024084	LU0106261455
C Accumulation USD	LU0562796283	LU0106261539
E Accumulation USD	LU0812246170	Class not issued
I Accumulation USD	LU0562796366	LU0134343796
E Accumulation EUR	LU0812251501	Class not issued
A Distribution GBP	LU0801193482	LU1062721748

The Merger will also apply to any additional share classes launched prior to the Effective Date.

<sup>3</sup> 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 January 2014 for the Merging Fund. The OGCs for the Receiving Fund are a post-merger estimate.