

Important Information:

The fund invests primarily in Chinese equities and fixed income securities.

1. The fund is exposed to equity investment risk. The fund's active allocation strategy may incur greater transaction costs and there is no assurance that such strategy will be successful.
2. In respect of the distribution units, the manager will declare and pay monthly distributions. However, the distribution rate is not guaranteed. Distribution yield is not indicative of the return of the fund. Distribution may be paid from capital of the fund. Investors should note that 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 value of units.
3. The fund invests in debt securities would subject to interest rate, credit and counterparty, credit ratings, credit downgrading, liquidity and volatility, and valuation risks. Investment in below investment grade and unrated debt securities are subject to higher risks than higher rated securities.
4. The fund invests in mainland China would subject to mainland China market, Stock Connect, concentration, political and economic, and legal and regulatory risks. China A and B Shares market may be more volatile and unstable than markets in more developed countries. Stock Connect has quota limitations and its rules are subject to change with potential retrospective effect.
5. The fund may invest into investments denominated in currencies other than the fund's base currency and subject to currency and exchange risk. If the investor's based currency is a different currency than the share class's currency being invested in, the investor needs to carry out conversion and would involve conversion costs. RMB is currently not freely convertible. There is no assurance that RMB will not be subject to devaluation.
6. Hedged share class hedges the fund's base currency back to its currency of denomination on a best efforts basis. Expenses arising from hedging transactions will be borne by the relevant hedged classes. The volatility of the hedged classes measured in the fund's base currency may be higher than that of the equivalent class denominated in the fund's base currency. This may preclude such investors to benefit from an increase in the value of the fund's base currency.
7. The fund may invest in financial derivative instruments (FDI) and subject to risks associated with FDI.

You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.

Schroders

Schroder China Asset Income Fund

Coast through China's investment
highway of multi-asset opportunities

28 February 2019



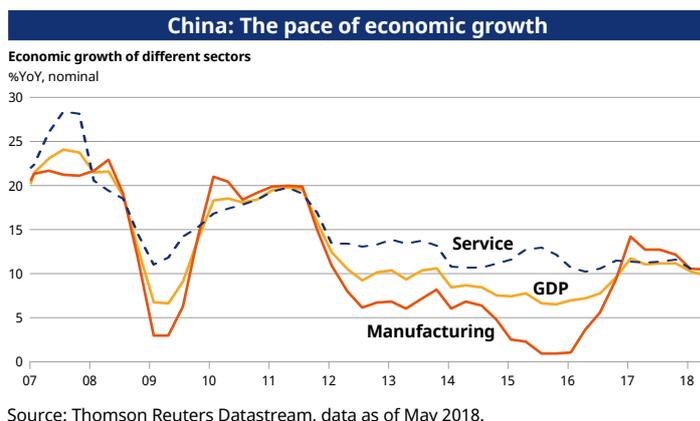
Why invest in the Schroder China Asset Income Fund?

Capture China's capital growth potential

China is undergoing a fast and exciting transition into its "new economy" model which focuses on industries such as consumption, business services, information technology, science and research and social media, to name but a few.

For example, in consumption, the upper-middle-class population is expected to continue growing at an annual rate of 17% until 2020*, which could potentially lead to US\$1.5 trillion* of incremental spending in urban China. In addition, the average age of high income earners is trending younger, resulting in a change in consumer behaviour that may potentially benefit e-commerce and social media companies.

In addition, China's exports have rebounded on the back of the synchronised recovery in global growth and trade, while supply-side reform has also revived the fortunes of manufacturing. By covering attractive investment opportunities across industries in both the "new" and "old" economies, our strategy allows investors to capture growth potential in China.

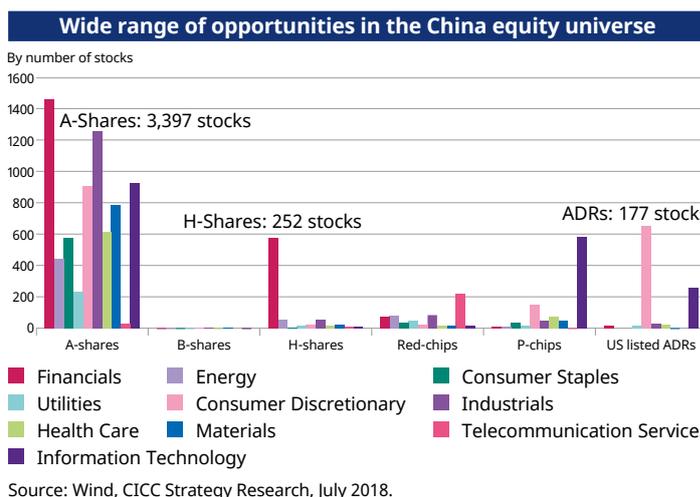


A comprehensive approach to investing in China

Globally, there are nearly 4,300 publicly-traded Chinese companies in different markets, including nearly 3,100 on the Shanghai and Shenzhen stock exchanges. China's A-shares market is the world's second-largest by stock market capitalisation, totaling US\$7.4 trillion, and second only to the US. Meanwhile, some of the China-related American Depositary Receipts (ADRs) are in industries with high growth potential, such as technology and consumption. Also, some leading Chinese technology firms are only listed as ADRs in the US, making it a market that cannot be ignored.

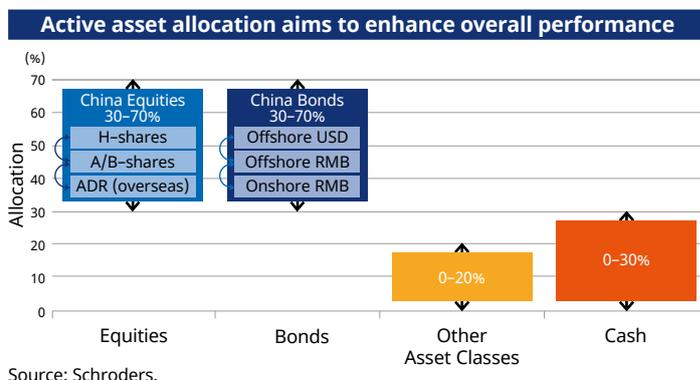
Besides stocks, China's bond market also offers opportunities for investors. China's onshore bond market is the world's third-largest in terms of market value. Yields of China's onshore bond market began rising at the beginning of this year and have stabilised recently, offering comparatively attractive income opportunities. Programmes such as the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect have increased access to Chinese onshore assets to investors around the world. Together with the inclusion of onshore Chinese stocks and bonds in the global indices of MSCI, this could bring more investment opportunities and growth momentum to the market.

Our comprehensive multi-asset approach can help investors diversify in order to capture a wide range of China growth and income opportunities.



Active asset allocation with risk management

The fund's active asset allocation between Chinese equities (30-70%), Chinese bonds (30-70%), other asset classes (0-20%) and cash (0-30%)~ aims to capture growth and income opportunities in China. We will also actively manage the exposures to onshore equities and fixed income to take advantage of the growth potential of onshore assets. In addition, risk management on currency and interest rates is implemented from time to time with the aim to reduce potential losses during difficult markets.



Regular monthly payout^

With zero or even negative interest rates, income on assets will continue to be one of the important components of investors' returns. The fund offers investors a regular monthly payout^, backed by a sustainable stream of income mainly from the fixed income portfolio, and to a lesser extent from the equities in the fund.

* Source: Boston Consulting Group, The New China Playbook, December 2015.

~ The exact asset allocation may deviate from the range mentioned above without prior notice to investors, please refer to the relevant offering document for details.

Schroder China Asset Income Fund

Fund features

- A distribution unit class offers a monthly payout (distribution rate is not guaranteed, and payment of distributions could be paid out from capital)[^]
- Capture China's capital growth potential
- A comprehensive approach to investing in China
- Active asset allocation with risk management

Available unit classes and distribution frequency

Unit classes	ISIN code	Bloomberg ticker	Distribution frequency
A Dis - HKD	HK0000301405	SCAIADH HK	Monthly
A Dis - USD	HK0000301421	SCAIADU HK	Monthly
A Dis - RMB Hedged	HK0000301447	SCAIADR HK	Monthly
A Dis - AUD Hedged	HK0000301439	SCAIADA HK	Monthly
A Acc - HKD	HK0000301397	SCAIAAH HK	N/A
A Acc - USD	HK0000301413	SCAIAAU HK	N/A

Dividend distribution record[^]

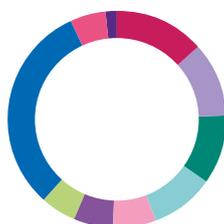
Unit classes	Distribution per unit	Price on record date (27/02/2019)
A Dis - HKD	0.274974	109.9896
A Dis - USD	0.027163	10.8650
A Dis - AUD Hedged	0.022716	10.9056
A Dis - RMB Hedged	0.272425	108.9698

Upcoming distribution record date

27/03/2019	24/04/2019	29/05/2019
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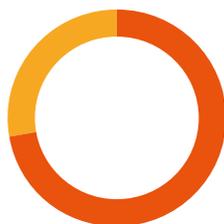
Note: The distribution record date may subject to change.

Sector breakdown



	Equities	Fixed income	Total
Consumer Discretionary	13.5	0.1	13.6
Sovereign	-	11.0	11.0
Banks	7.7	2.5	10.2
Telecom. Services	8.8	0.7	9.5
Real Estate	1.8	4.5	6.3
Insurance	5.2	0.6	5.8
Materials	3.1	2.2	5.3
Other Sectors	15.7	15.7	31.4
Other Asset Classes	-	-	5.4
Cash & Cash Equivalents	-	-	1.5

Currency breakdown (Net)



	Weights (%)
HKD/USD	72.4
RMB	27.6

Top holdings

China equity	Weights (%)
Tencent Holdings Ltd.	3.8
Alibaba Group Holding Ltd. Sponsored ADR	3.6
Industrial and Commercial Bank of China Limited Class H	2.8
China Construction Bank Corporation Class H	2.7
China Mobile Limited	1.4

China fixed income	Weights (%)
CHINA GOVERNMENT BOND SR 1713 3.57% 22/06/2024	2.8
CHINA GOVERNMENT BOND SR 1819 3.54% 16/08/2028	2.7
CHINA GOVERNMENT BOND SR 1718 3.59% 03/08/2027	1.3
CHINA DEVELOPMENT BANK SR 1806 4.73% 02/04/2025	0.9
CHINA GOVERNMENT BOND SR 1817 3.97% 23/07/2048	0.9

Asset allocation range and current allocation

Asset type	Allocation range	Breakdown	Current allocation	Total current allocation
Equities	30-70%	Offshore Equities (H shares/Overseas)	35.3%	55.8%
		Onshore Equities	20.5%	
Fixed Income	30-70%	Offshore Bonds	19.5%	37.3%
		Onshore Bonds	17.8%	
Others	0-20%	—	—	5.4%
Cash & Cash Equivalents	0-30%	—	—	1.5%

Bond information of current portfolio

Duration (RMB)	1.2 year
Duration (USD)	0.9 year
Average credit rating	BBB
Investment grade/high yield & non-rated split	26.5%/10.7%

Fund performance

Cumulative performance (%)	YTD	3-mth	1Yr	3Yrs	5Yrs	Since launch
Fund	9.8	7.3	-5.4	N/A	N/A	18.0

Annual return (%)	2018	2017	2016 [#]
Fund	-10.8	26.1	-4.3



Key information

Fund objective	To provide income and capital growth by investing primarily in Chinese equity and fixed income securities.
Unit NAV (class A Acc)	HKD 118.0448
Hi/Lo (past 12 mths, class A Acc)	HKD 127.8765/105.7445
Base currency	HKD
Fund manager	Multi-Asset Team
Launch date	18/08/2016
Fund size (million)	HKD 3,281.62
Initial charge up to (class A)	5%
Management fee (class A)	1.5% p.a.
Dealing frequency	Daily
Financial year end	30/6

[^] In respect of the distribution units, the manager will declare and pay monthly distributions. However, the distribution rate is not guaranteed. Distribution yield is not indicative of the return of the fund. Distributions may be paid from capital of the fund. Investors should note that 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 value of units.

All fund information as at 28/02/2019. Source: Schroders. Fund performance based on class A Acc, NAV-NAV in HKD with net income re-invested. The fund size quoted includes all classes of the fund. [#]Performance is calculated from the fund's since launch date 18/08/2016.

Investment involves risks. Past performance is not indicative of future performance. Please refer to the relevant offering documents for fund details including risk factors. This material, including the website, is issued by Schroder Investment Management (Hong Kong) Limited and has not been reviewed by the SFC.

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