

Schroder European Fund

Proposal for the scheme of arrangement for the merger of Schroder European Fund with Schroder Institutional European Fund

This document is important and requires your immediate attention



Schroders

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If there is anything in this document that you do not understand or if you are in any doubt as to what action to take, you should consult an organisation or firm authorised under the Financial Services and Markets Act 2000 such as your stockbroker, solicitor, accountant or other professional adviser.

Notice of a meeting of Unitholders of the Fund is set out at the end of this document. The meeting is to be held at 9.00 a.m. on 2 March 2011 at 31 Gresham Street, London EC2V 7QA.

You are requested to complete and return the enclosed form of proxy in accordance with the instructions printed on it, in the prepaid envelope provided, to arrive no later than 9.00 a.m. on 28 February 2011.

Copies of this document may be obtained from us by contacting Schroder Investor Services, PO Box 1102, Chelmsford CM99 2XX (Tel: 0800 718 777 Fax: 0870 043 4080).

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Glossary of terms

COLL	The Collective Investment Schemes Sourcebook, as amended from time to time and forming part of the FSA Rules;
Effective Date	25 March 2011, assuming Unitholder approval is obtained at the meeting of Unitholders in the Fund, being the date on which the proposed merger of the Fund with Schroder Institutional European Fund will take effect and the date on which the name of the Fund will be changed, or such subsequent date as may be agreed in writing between the Trustee and the Manager;
Extraordinary Resolution	An extraordinary resolution of the Unitholders in the Fund required to approve implementation of the Scheme;
FSA	The Financial Services Authority;
FSA Rules	The FSA's Handbook of Rules and Guidance;
Fund	Schroder European Fund
Fund Value	The value of the property of the Fund (including the income to be allocated to accumulation Units in respect of the accounting period ending at 12.00 noon on the Effective Date) calculated in accordance with the trust deed of the Fund as at 12.00 noon on the Effective Date, less the Retained Amount;
Manager	Schroder Unit Trusts Limited, as manager of the Fund and the Schroder Institutional European Fund, as the context requires;
New Units	Units in the Schroder Institutional European Fund to be issued to Unitholders following implementation of the merger of the Fund under the Scheme;
Retained Amount	A sum estimated by the Manager after consultation with the Trustee, to be necessary to meet all the actual and contingent liabilities of the Fund and which is to be retained by the Trustee as attributable to the Fund for the purpose of discharging such liabilities;
Scheme	The Scheme of arrangement for the merger of the Fund with Schroder Institutional European Fund as set out in Appendix 3 to this document;
Schroder Institutional European Fund Value	Value of the property of the Schroder Institutional European Fund calculated on a mid basis, in accordance with COLL (except that the usual estimate of dealing costs shall not be included) as at 12.00 noon on the Effective Date;
Trustee	J.P. Morgan Trustee and Depositary Company Limited, as Trustee of the Fund and the Schroder Institutional European Fund, as the context requires;
Unit	A unit in a fund;
Unitholder	A holder of Units in the Fund or a holder of New Units in the Schroder Institutional European Fund, as appropriate.

Expected Timetable for the Proposed Merger

Despatch circular to Unitholders	28 January 2011
Last date and time for receipt of forms of proxy	9.00 a.m. on 28 February 2011
Meeting of Unitholders	9.00 a.m. on 2 March 2011
If no quorum present at the first meeting	
Despatch notice of adjourned meeting	4 March 2011
Last date and time for receipt of forms of proxy for adjourned meeting	9.00 a.m. on 16 March 2011
Adjourned meeting of Unitholders	9.00 a.m. on 18 March 2011
If the Extraordinary Resolution is passed:	
Last dealing of Units in the Fund	12.00 noon on 24 March 2011
Valuation used for the purposes of the Scheme	12.00 noon on 25 March 2011
End of current accounting period for the Fund	12.00 noon on 25 March 2011
Effective Date and time of merger and change of name of the Fund	12.01 p.m. on 25 March 2011
Effective date of Schroder Institutional European Fund name and valuation point change	25 March 2011
First dealing of New Units in Schroder European Fund (previously called Schroder Institutional European Fund)	28 March 2011

Schroder Unit Trusts Limited

Registered No. 04191730
31 Gresham Street
London
EC2V 7QA

Telephone: 0800 718 777 Fax: 0870 043 4080

Authorised and regulated by the Financial Services Authority (FSA).

28 January 2011

To the Unitholders of the Schroder European Fund

Dear Unitholder

Proposal for the scheme of arrangement for the merger of the Schroder European Fund with the Schroder Institutional European Fund

I am writing to you as a Unitholder in the Schroder European Fund to inform you of our proposal to merge the Fund with the Schroder Institutional European Fund and to give you the opportunity to vote on the proposal.

The purpose of this document is to explain the reasons for and details of the proposal. The main differences between the two funds are highlighted in the table in Appendix 1.

The merger requires the passing of an Extraordinary Resolution by Unitholders of the Fund at a meeting to be held at 31 Gresham Street, London EC2V 7QA on 2 March 2011 at 9.00 a.m., at which you are entitled to vote. You may vote at the meeting either in person or by completing the enclosed form of proxy and posting it to Schroder Administration Centre, IOS Vote Administration, 15 Rolling Mill Road, Jarrow, NE32 3DE, whether or not you intend to be present at the meeting. Please consider the proposal carefully and return the enclosed form of proxy in the enclosed prepaid envelope to arrive not later than 9.00 a.m. on 28 February 2011.

A summary of the Scheme of arrangement by which the merger will be effected is set out in Appendix 3 to this letter. The Notice convening the extraordinary general meeting of Unitholders in the Fund is set out in Appendix 5.

1. Reasons for the proposed merger

These two funds have an almost identical objective, investing predominantly in large cap European equities; they have a very similar profile in terms of stocks, sectors and countries. Following a review of our product range we have decided that we no longer require both these funds. The Schroder European Fund has been declining in assets and we believe it should be merged into the larger fund.

The fund size of the Schroder European Fund is relatively small at £50 million, and performance of the Schroder Institutional European Fund has been comparatively better over 1, 3 and 5 year periods.

The objectives of both funds are very similar, which are to achieve capital growth through investment in non-UK European stock markets. Both funds are predominantly invested in large cap stocks; however the Schroder European Fund does have a greater exposure to small and mid cap stocks.

Further details comparing the two funds are set out in Appendix 1 and for full details of the funds please refer to the retail fund range prospectus which is available at www.schroders.com/ukinvestor and the institutional fund range prospectus which is available at www.schroders.com/ukinstitutional or on request by telephoning 0800 718 777.

2. Change of name

If the merger is approved by Unitholders, the name of the Schroder Institutional European Fund will be changed to “Schroder European Fund” on the Effective Date.

3. Accounting dates

The Schroder Institutional European Fund has different accounting and distribution dates to the Fund. A comparison of the different dates is set out below.

After the merger, the first accounting date will be 15 July 2011 and the first reports and accounts you will receive will be for the half-yearly accounting date 15 July 2011.

In order to simplify the merger process, the current accounting period will end through the introduction of an additional interim accounting date at 12.00 noon on the Effective Date and an additional distribution will take place in respect of the Fund. This means that any income from the end of the previous accounting period to the Effective Date will be stripped out prior to the merger taking effect. Income for this period will be allocated in respect of income Units of the Schroder European Fund and distributed within two months of the Effective Date. For accumulation Units, income will be transferred to the capital account of the Schroder European Fund and reflected in the value of accumulation New Units to be issued in the Schroder Institutional European Fund.

4. Pricing

The Schroder European Fund is dual-priced. This means that, in effect, two valuations are carried out each day to determine the following:

- an issue price (i.e. the price at which units are issued to an investor, which reflects the cost of buying into the securities that comprise the portfolio of the Fund at the asking price in the market). This includes a preliminary charge.
- a cancellation price (i.e. the price at which units are sold by an investor which reflects the proceeds that would be received from selling the securities that comprise the portfolio of the fund when selling at the bid price in the market).

	Schroder European Fund	Schroder Institutional European Fund
Annual Accounting Date	15 November	15 January
Half-Yearly Accounting Date	15 May	15 July
Income Allocation Date	15 January	15 March

The difference between the two prices is called the “spread”. The size of the spread will depend on the actual market price spread in the securities held by the Schroder European Fund. Because there are two different prices and the spread takes account of any costs that the Fund may incur in buying or selling securities (transaction costs).

The Schroder Institutional European Fund has a single price. This price is generally the mid price but may instead be equal to the issue or cancellation price due to the net level of Unitholder activity on the day. Unitholders buying and selling on the same day will always receive the same price. Unitholders will not pay more for purchasing or less for selling than they would for a dual-price fund, in fact the price Unitholders receive may be advantageous depending on the net level of Unitholder activity.

Because of the difference of pricing methodology between the two funds, following the Effective Date you should note that a single unit price will be quoted for your units in the Schroder Institutional European Fund for both buying and selling.

5. Tax implications

Based on our understanding of current UK tax law applicable to UK resident tax payers and the tax clearance we have received from HM Revenue & Customs, the exchange of Units in the Schroder European Fund for Units in the Schroder Institutional European Fund will not constitute a disposal of Units for capital gains tax purposes. Instead, your New Units will be deemed to have been acquired on the date you acquired Units in the Schroder European Fund and any capital gains tax you incur when you dispose of your New Units will be calculated on this basis.

If you are in any doubt about your tax position, or you are not a UK resident, you should consult a professional tax adviser.

6. Mandates and other instructions

Any direct debit mandates or other instructions which you have given us in relation to your Units in the Schroder European Fund will automatically apply to the New Units issued to you following the merger. If you do not want these mandates to be carried forward, please let us know before

the Effective Date. You may, of course, change these mandates or instructions at any time.

7. Issue of New Units under the merger and dealings in New Units

Under the proposal, Unitholders in the Fund will receive the same type and class of Units in the Schroder Institutional European Fund as those they already hold in the Fund, as a result of the transfer of the assets from the Schroder European Fund on the terms set out in the Scheme. In each case New Units issued on the merger will be denominated in pence.

Provided the Scheme is approved by Unitholders, the last dealings of Units in the Schroder European Fund will be at 12.00 noon on 24 March 2011. Any instructions received after 12.00 noon on 24 March 2011 will be dealt with at the 12.00 noon valuation point in the Schroder Institutional European Fund on 28 March 2011. You may deal in your New Units from 28 March 2011, before you receive the letter of notification confirming the allocation of New Units to you. Please see paragraph 8.2 of Appendix 3 for details.

8. Costs and expenses

All costs and expenses relating to the proposal described in this document will be paid by Schroders. These include the costs of preparing and implementing the merger, of convening and holding the Unitholder meeting (and any adjourned meeting) and of winding-up the Schroder European Fund if the proposal is approved. Schroders will not seek reimbursement of such amounts from the property of the Schroder European Fund or the Schroder Institutional European Fund.

9. Consents and approvals

Details of the various consents and clearances which we have obtained and of the other documents available for inspection in connection with the merger proposal are set out in Appendix 4.

10. Your right to switch or exit

You are entitled to switch your Units in the Schroder European Fund for units in another Schroder unit trust (free of any initial charge) at any time before the Effective Date (save for when dealings in the Fund are suspended from

12.00 noon on 24 March 2011). Please note, however, that a switch of Units to another Schroder unit trust will be treated as a disposal for capital gains tax purposes. Details of our range of unit trusts are set out in the relevant Schroder prospectuses which are available at www.schroders.com/co.uk or on request by telephoning 0800 718 777.

If the Extraordinary Resolution is approved, the Scheme will be implemented regardless of whether you voted for or against it, or voted at all. You are entitled to exit the Schroder Institutional European Fund following the Effective Date. It is Schroders' current policy not to charge a fee to investors for exiting any of its authorised unit trusts. Please note, however, that redeeming your Units will constitute a disposal for capital gains tax purposes.

11. Recommendation and action to be taken

If you are uncertain as to how to respond to this document, you should consult your account manager at Schroders or another professional adviser.

We urge you to vote in favour of the proposal to merge the Schroder European Fund with the Schroder Institutional European Fund. To be passed, the Extraordinary Resolution requires a majority in favour of not less than 75% of the total number of votes cast, so it is important that you exercise your right to vote.

Whether or not you intend to be present at the meeting **please complete and return the enclosed form of proxy in the prepaid envelope provided to Schroder Administration Centre, IOS Vote Administration, 15 Rolling Mill Road, Jarrow NE32 3DE. It must arrive on or before 9.00 a.m. on 28 February 2011.** Return of the form of proxy will not preclude you from attending the meeting and voting in person if you so wish. In these circumstances, your form of proxy will be set aside and you should, if you wish, cast your votes when the poll is taken.

Yours faithfully



Robin Stoakley

**Director
Schroder Unit Trusts Limited**

Appendix 1

Comparison of the Fund and the Schroder Institutional European Fund

	Schroder European Fund	Schroder Institutional European Fund*
Type of fund	UCITS	UCITS
Investment objective and policy	<p>The Fund's investment objective is to achieve capital growth through investment in European countries, excluding the UK.</p> <p>The core of investment will be in the larger market capitalisation stocks in the major European markets. Investment will be directly held in transferable securities.</p> <p>The Fund may also invest in collective investment schemes, warrants and money market instruments.</p>	<p>The Fund's investment objective is to achieve capital growth through investment in European stock markets, excluding the UK.</p> <p>The core of investment will be in the larger market capitalisation stocks in the major European markets. The remainder of the portfolio will consist of investments in medium market capitalisation stocks and those drawn from the smaller European markets.</p> <p>The Fund may also invest in a wide range of investments including transferable securities, collective investment schemes, warrants and money market instruments.</p>
Profile of a typical investor	<p>The Fund is a medium risk fund aiming to provide capital growth. It may be suitable for investors who are seeking long-term returns offered through investment in equities.</p> <p>Investors should regard their investment as medium to long-term and should read the risk warnings set out in Appendix II and the Fund's simplified prospectus before investing.</p>	<p>The Fund is a medium risk fund aiming to provide capital growth. It may be suitable for investors who are seeking long-term returns offered through investment in equities. Investors should regard their investment as medium to long-term and should read the risk warnings set out in Appendix II before investing.*</p>
Unit Class	A accumulation and A income	A accumulation A income I accumulation I income
Valuation Point	12.00 noon	4.00 p.m.*
Annual Management Charge	A units – 1.50%	A units – 1.50% I units – 0.75%
Annual Accounting Date	15 November	15 January
Half-Yearly Accounting Date	15 May	15 July

	Schroder European Fund		Schroder Institutional European Fund*	
Income Allocation Date	15 January		15 March	
Pricing structure	Dual priced		Single priced	
Total Expense Ratio (TER)	1.73% (15 May 2010)		1.69% (15 July 2010): Estimate based on audited TER of I share class.	
Fund Manager	Riitta Hujanen		Martin Skanberg and Rory Bateman	
Cumulative Performance**	1 year	5.34%	1 year	8.95%
	3 years	-9.87%	3 years	0.85%
	5 years	13.51%	5 years	35.40%

*Please note that following the merger it is proposed that the Schroder Institutional European Fund will adopt the name, valuation point and the 'Profile of a typical investor' of the Fund as detailed above, but its investment objective, policy and investment powers will remain as they are. Further details on the Schroder Institutional European Fund can be found in the institutional fund range prospectus and the simplified prospectus which are available at www.schroders.com/uk or on request by telephoning 0800 718 777.

**Source: Schroders, as at end December 2010. The Institutional European Fund's performance figures have been restated to include retail fund expenses so that the two Funds' performance track records are comparable. Past performance is not necessarily a guide to future performance. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.

Appendix 2

Procedure for Unitholder meetings

1 Extraordinary Resolution of Unitholders

The notice convening the meeting of Unitholders of the Fund is set out in Appendix 5 of this document and sets out the Extraordinary Resolution to approve the merger. To be passed, the Extraordinary Resolution must receive the support of a majority of 75% of the total number of votes cast.

2 Quorum and Voting Requirements

The quorum for the meeting is two Unitholders present in person or by proxy.

If a quorum is not present within 15 minutes after the time appointed for the start of the meeting, the meeting will be adjourned to a date not less than seven days following the meeting. Notice will be given of the adjourned meeting and at that meeting two Unitholders present in person or by proxy are required to constitute a quorum. However, this may be reduced to one Unitholder if a quorum is not present after a reasonable time. In the event of an adjourned meeting and unless instructions are received, forms of proxy received in respect of the first meeting will remain valid for the adjourned meeting.

The resolution will be proposed as an extraordinary resolution and must therefore be carried by a majority in favour of not less than 75% of the total number of votes cast at the meeting. Persons who are Unitholders on the date seven days before the Notice is sent out, but excluding persons who are not Unitholders at the time of the relevant meeting, are entitled to vote. Once passed, the Extraordinary Resolution is binding on all Unitholders in the Fund.

In view of the importance of the proposals the chairman of the meeting will call for a poll to be taken in respect of the Extraordinary Resolution. On a poll, the voting rights for each unit are the proportion of the voting rights attached to all of the units in issue that the price of the unit bears to the aggregate price or prices of all of the units in issue at the date seven days before the notice of the meeting was sent out. A Unitholder is entitled to more than one vote on a poll and need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In order to avoid an adjournment, please complete and sign the enclosed form of proxy and return it as soon as possible in the enclosed prepaid envelope. Forms of proxy should arrive at the offices of Schroder Administration Centre, IOS Vote Administration, 15 Rolling Mill Road, Jarrow NE32 3DE, not later than 9.00a.m. on 28 February 2011.

Return of a form of proxy will not preclude a Unitholder from attending the meeting if entitled to do so, nor from voting in person.

4. Joint Holders

In the case of joint holders, the vote of the senior holder on the register who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names stand on the register of Unitholders.

Appendix 3

Scheme of arrangement for the merger of the Fund with the Schroder Institutional European Fund

5. The Manager

The Manager is entitled to attend the meeting but shall not be entitled to vote or be counted in a quorum at the meeting, nor any adjournment. If the registered holder of any units is an associate of the Manager, that associate will only be entitled to exercise the voting rights in respect of those units if the units are held by it jointly with or on behalf of a person who, if he himself was a registered holder, would be entitled to vote, and from whom voting instructions have been received. Associates of the Manager holding units are entitled to be counted in a quorum.

6. Chairman

The Trustee has nominated Paul Truscott or, failing him, Mike Champion, to be Chairman of the meeting and at any adjourned meeting. These nominees have indicated that, in view of the importance of the proposed Extraordinary Resolution, they will demand that a poll be taken.

The procedure for the meeting to approve the proposed changes, and details of the various consents and a list of the documents relating to the proposal which are available for inspection, are set out in Appendix 4.

1. Definitions and interpretation

- 1.1 In this Scheme, unless the context otherwise requires, words and terms have the meanings set out in the Glossary of Terms at the beginning of this document.
- 1.2 In addition, where relevant in the context, terms which are defined in the FSA Rules shall have the same meaning in this Scheme.
- 1.3 References to paragraphs are to paragraphs of the Scheme.
- 1.4 If there is any conflict between the Scheme and the trust deed of the Fund, the trust deed will prevail. If there is any conflict between the Scheme and the FSA Rules, then the FSA Rules will prevail.

2. The proposed merger and changes of name

- 2.1 The Manager proposes that the Fund merge with the Schroder Institutional European Fund, as set out in this Appendix.
- 2.2 If the merger is approved the Fund will be renamed "Schroder European Fund (Unavailable)" for the period until it is wound up.
- 2.3 If the merger is approved by Unitholders, the name of the Schroder Institutional European Fund will be changed on the Effective Date to the Schroder European Fund (although in this Scheme the Schroder Institutional European Fund is, for clarity, referred to under its current name).

3. Approval of Unitholders

- 3.1 The merger of the Fund with the Schroder Institutional European Fund is conditional upon the passing of an Extraordinary Resolution at a meeting of Unitholders in the Fund, by which those Unitholders approve the Scheme and authorise the implementation of the merger of the Fund with the Schroder Institutional European Fund.
- 3.2 You will be notified of the result of the vote on the Extraordinary Resolution for the Fund. If approved, the Scheme will be binding on all Unitholders in the Fund, whether or not they vote in favour of it or vote at all, and the conversion will be implemented as set out in the following paragraphs.

4. Last dealings in the Fund

The last dealings in Units in the Fund will be at 12.00 noon on 24 March 2011. Instructions received after that time will be held over until the first valuation point of the Schroder Institutional European Fund, which will be at 12.00 noon on 28 March 2011 and will be deemed to apply to the New Units issued following the merger.

5. Income allocation arrangements

- 5.1 The current accounting period of the Fund will end at 12.00 noon on the Effective Date.
- 5.2 In the case of income Units, the actual and estimated income (if any) available for allocation in respect of the period from the end of the previous accounting period to 12.00 pm on the Effective Date shall be allocated to Unitholders holding income Units so that no income property is transferred on the implementation of the merger. All such available income to be allocated shall be distributed to Unitholders within two months of the additional accounting date.
- 5.3 In the case of accumulation Units, the actual and estimated income (if any) available for allocation in respect of the period from the end of the previous accounting period to 12.00 pm on the Effective Date shall be transferred to the capital account of the Fund

and allocated to the Units (being reflected in the value of those accumulation Units). The income so allocated to those Units shall be included in the Fund Value which is used to calculate the number of accumulation New Units to be issued in the Schroder Institutional European Fund.

- 5.4 Any distributions in respect of the Fund which are unclaimed for a period of six years from the original date of payment (together with any interest arising on such distributions as it accrues) shall be transferred by the administrator of the Fund and become part of the capital property of the Schroder Institutional European Fund. The unclaimed distributions shall be held until the last distribution is claimed or until the expiry of six years from the original payment of the distributions, whichever is earlier.

6. Calculation of the value of the Fund and the Schroder Institutional European Fund

- 6.1 Valuations for this purpose will be on a mid market basis.
- 6.2 The value of the Fund shall be calculated on a mid basis as at 12.00 noon on the Effective Date less:
- (a) Income (if any) to be allocated to the Fund in respect of the current accounting period ending on the Effective Date; and
 - (b) the Retained Amount.
- 6.3 The value of the Schroder Institutional European Fund shall be the value of the income and capital property attributable to the Schroder Institutional European Fund calculated on a mid market basis in accordance with COLL as at 12.00 noon on the Effective Date.
- 6.4 These valuations shall be used in the calculation of the number of New Units in the Schroder Institutional European Fund to be issued.
- 6.5 In the event that the value of the Fund and/or the Schroder Institutional European Fund move significantly between 12.00 noon on the Effective Date and the transfer of property and issue of New Units taking place (see paragraph 7 below) there may be a revaluation of the relevant fund(s).

7. Transfer of property and issue of New Units

As at and from 12.01 p.m. on the Effective Date:

- 7.1 The property of the Fund, less the Retained Amount (the “Transferred Property”), will become the property of the Schroder Institutional European Fund in exchange and full payment for the issue of New Units. The Trustee will cease to hold the Transferred Property as attributable to the Fund and will, in its capacity as trustee of the Schroder Institutional European Fund, hold the Transferred Property as scheme property of the Schroder Institutional European Fund. The Trustee, in its capacity as trustee of the Fund, will make or ensure the making of any transfers or re-designations which may be necessary as a result of its ceasing to hold the Transferred Property as the Trustee of the Fund.
- 7.2 The Manager will issue New Units in the Schroder Institutional European Fund to Unitholders who are registered on the Effective Date as holding Units in the Fund on the basis set out in paragraph 8. Unitholders holding income Units will receive income New Units and Unitholders holding accumulation Units will receive accumulation New Units under the Scheme.
- 7.3 All Units in the Fund will be deemed to be cancelled and will cease to be of any value as at 12.01 p.m. on the Effective Date.
- 7.4 Unitholders will be treated as exchanging their Units for New Units.

8. Basis for the issue of New Units

- 8.1 New Units (including fractions of Units) of the corresponding class will be issued to each Unitholder invested in the Fund in proportion to that Unitholder’s individual entitlement to the Fund Value. Unitholders holding income units in the Fund will receive income units in the Schroder Institutional European Fund and Unitholders holding accumulation units in the Fund will receive accumulation units in the Schroder Institutional European Fund. The number of units will be calculated by dividing the number of units held in the Fund on the effective date by the mid price of the

Fund and multiplying by the mid price of the Schroder Institutional European Fund. The mid price calculation for the two fund is explained in 6.2 and 6.3.

- 8.2 New Units (including fractions of units) issued in the Schroder Institutional European Fund shall be allocated among the Schroder Institutional European Fund Unitholders in proportion to the number of undivided shares in the property of the Schroder Institutional European Fund represented by the respective units in the Schroder Institutional European Fund held or deemed to be held by them at 12.01 p.m. on the Effective Date (in the case of accumulation Units, being the increased number of undivided Units pursuant to the income allocation referred to above) provided that the number of New Units to be issued to any Unitholder shall be rounded up to the nearest fraction at the expense of Schroders.
- 8.3 For the purposes of income equalisation, the value of New Units may contain an element of income, which represents the value of accrued income at the time of purchase for the relevant accounting period. On the first income allocation following the issue of the New Units Unitholders will receive as part of their income allocation a capital sum representing that part of the value of the New Units, which represents the value of such accrued income.

9. Notification of the New Units issued under the Scheme

- 9.1 It is intended that Schroder Unit Trusts Limited, as Manager of the Schroder Institutional European Fund, will notify each Unitholder of the number and class of New Units issued under the Scheme. This notification will be dispatched by the close of business within 14 days after the Effective Date by first class post to the Unitholder’s address appearing in the register of Unitholders of the Schroder Institutional European Fund as at the Effective Date. Upon despatch of such notifications, any documentation confirming ownership of Units in the Schroder European Fund will cease to be valid. No certificates will be issued in respect of New Units.

9.2 Transfers or redemptions of New Units issued under the Scheme may be effected from the next business day after the Effective Date by telephoning Schroder Unit Trusts Limited on 0800 718 777. Written transfer and redemption requests in respect of New Units can be made in writing to Schroder Unit Trusts Limited at PO Box 1102, Chelmsford, CM99 2XX.

10. Mandates and other instructions in respect of New Units

Mandates and other instructions to the Manager of the Fund in force on the Effective Date in respect of Units will be deemed to be effective in respect of New Units issued under the Scheme and in respect of other later acquired New Units, if relevant. Unitholders may change these mandates or instructions at any time.

11. Winding-up of the Fund

11.1 If the Scheme is approved by Unitholders, the Fund will, following the merger and the change of name, be wound-up in accordance with the FSA Rules.

11.2 The Retained Amount (which will be made up of cash and other assets, if necessary) and any income arising on it will be used by the Trustee to pay any outstanding liabilities of the Fund in accordance with the directions and instructions of the Manager, the provisions of the trust deed and the FSA Rules. In providing such directions and/or instructions to the Trustee, the Manager, as manager of the Fund, shall be responsible for ensuring that such directions and/or instructions comply at all times with the provisions of the trust deed and the FSA Rules.

11.3 Once the Fund is fully wound-up, if there are any surplus monies remaining in the Fund, they, together with any income arising therefrom, shall be transferred to the Schroder Institutional European Fund. No further issue of New Units shall be made as a result.

11.4 If the Retained Amount is insufficient to discharge all the liabilities of the Fund, the Trustee, in its capacity as trustee of the Schroder Institutional European Fund, will pay the amount of the shortfall out of the scheme property of the Schroder Institutional European Fund in accordance with the directions and/or instructions of the Manager with the agreement of the Trustee (in its capacity as trustee of the Schroder Institutional European Fund) and the FSA Rules, but otherwise such shortfall shall be discharged by the Manager.

11.5 Once the Fund is fully wound-up, the Trustee (in its capacity as trustee of the Fund) will be discharged from all its obligations and liabilities in respect of the Fund, except those arising from a breach of duty before that time.

12. Costs, charges and expenses

12.1 The Trustee (in its capacity as trustee of the Fund) and the Manager will continue to receive their usual fees and expenses for being the trustee and the manager respectively of the Fund out of the property of the Fund which accrue prior to, or, in the case of the Trustee, after, the Effective Date.

12.2 The costs of preparing and implementing the merger under the Scheme, including:

- (a) the costs of convening and holding the meeting of Unitholders (and any adjourned meeting);
- (b) any re-designation and registration fees;
- (c) taxes and duties (if any) on the transfer or re-designation of the Transferred Property;
- (d) the costs of winding-up of the Fund; and
- (e) the professional adviser's fees and expenses (including those of the Trustee) payable in connection with the merger and the Scheme;

will be paid by Schroders, not by Unitholders.

13. Register of Unitholders

13.1 The Manager and the Trustee (in its capacity as trustee of the Fund) shall be entitled to assume that all information contained in the register of Unitholders of the Fund on and immediately prior to the Effective Date is correct, and to utilise the same in calculating the number of New Units to be issued and registered pursuant to the Scheme.

13.2 The Manager and the Trustee (in its capacity as trustee of the Fund) may act and rely upon any certificate, opinion, evidence or information furnished to it by its professional advisers or by the auditors of the Fund in connection with the Scheme and shall not be liable or responsible for any resulting loss.

14. Alterations to the Scheme

14.1 The Manager, with the agreement of the Trustee (in its capacity as trustee of the Fund), may determine (in particular, in the event of an adjournment to the meeting of Unitholders to consider and vote on the Extraordinary Resolution) that the Effective Date of the merger is to be other than as set out in this document, in which case such consequential adjustments may be made to the other elements in the timetable of the Scheme as the Manager considers appropriate.

14.2 The terms of the Scheme may be amended as determined by the Manager of the Fund and the Trustee (in its capacity as trustee of the Fund).

15. Governing law

The Scheme is governed by and shall be construed in accordance with the laws of England and Wales.

Dated: 28 January 2011

Appendix 4

Consents and clearances

1. Trustee

In accordance with normal procedure J.P. Morgan Trustee and Depositary Company Limited, as the trustee of the Fund and Schroder Institutional European Fund, whilst expressing no opinion on the merits or demerits of the proposal, has informed us by letter that it considers that the Scheme is in a form suitable to be placed before Unitholders for their consideration and consents to the references made to it in this document in the form and context in which they appear. The confirmation is not a recommendation to vote for or against the Extraordinary Resolution, which is a matter for each Unitholder's judgment.

2. The Financial Services Authority

The FSA has confirmed by letter to the Manager that implementation of the proposals set out in this document will not affect the authorisation of the Fund as an authorised unit trust scheme under the Financial Services and Markets Act 2000.

3. HM Revenue & Customs

HM Revenue & Customs has confirmed that section 137 of the Taxation of Chargeable Gains Act 1992 should not apply to the merger under the Scheme and consequently section 136 of that Act may apply. Accordingly, the merger of the Fund with the Schroder Institutional European Fund will not involve a disposal of Units in the Fund for the purposes of capital gains tax. The New Units in the Schroder Institutional European Fund will be deemed to have the same acquisition cost and acquisition date for capital gains tax purposes for each UK Unitholder as their existing Units in the Fund.

4. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours, Monday to Friday at 31 Gresham Street, London EC2V 7QA up to and including 2 March 2011 (or up to and including the date of any adjourned meeting):

1. The trust deed and supplemental trust deed(s) of the Fund;
2. The latest interim short report and accounts in respect of the Fund;
3. The trust deed and supplemental trust deed(s) of the Schroder Institutional European Fund;
4. The Prospectus of the Schroder Institutional European Fund;
5. The letter from the Trustee;
6. The letter from the Financial Services Authority; and
7. The letter from HM Revenue & Customs.

Appendix 5

Notice of Meeting of Unitholders

Schroder European Fund

NOTICE IS HEREBY GIVEN that a meeting of the Unitholders in Schroder European Fund (the “Fund”) will be held at 31 Gresham Street, London EC2V 7QA on 2 March 2011 at 9.00 a.m. to consider and, if thought fit, to pass the following resolution which will be proposed as an Extraordinary Resolution:

Extraordinary Resolution

THAT the Scheme of arrangement (the “Scheme”) for the merger of the Fund into Schroder Institutional European Fund, an authorised unit trust scheme, contained in Appendix 3 of the document dated 28 January 2011 and addressed to Unitholders in the Fund, be approved and adopted, and accordingly that Schroder Unit Trusts Limited, as Manager of the Fund, and J.P. Morgan Trustee and Depositary Company Limited, as Trustee of the Fund, are hereby instructed to implement and give effect to the Scheme in accordance with its terms.



Robin Stoakley
Director
Schroder Unit Trusts Limited
31 Gresham Street
London
EC2V 7QA

28 January 2011

Notes

1. A Unitholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a Unitholder.
2. To be valid, a form of proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged with Schroder Administration Centre, IOS Vote Administration, 15 Rolling Mill Road, Jarrow NE32 3DE, no later than 9.00 a.m. on 28 February 2011. A form of proxy is enclosed.
3. The quorum for the meeting is two Unitholders present in person or by proxy. The Manager may not vote or be counted in the quorum except in any case where the Manager holds units on behalf of or jointly with a person who, if himself the sole registered Unitholder, would be entitled to vote, and from whom the Manager has received voting instructions.
4. To be passed, an Extraordinary Resolution must be carried by a majority in favour of not less than 75% of the total number of votes cast at the meeting.
5. At the meeting the vote will be taken by poll. On a poll, the voting rights for each unit are the proportion of the voting rights attached to all of the units in issue that the price of the unit bears to the aggregate price or prices of all of the units in issue at the date seven days before the notice of the meeting was sent out. A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all votes he uses in the same way.



Schroders