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28 January 2011

Dear «Unitholder name»

**Account number: <unitholder id>**

**Proposed fund merger: Schroder European Fund with Schroder Institutional European Fund**

I am writing to you on behalf of Schroder Unit Trusts Limited regarding a proposed merger of the Schroder European Fund, in which you are invested, with the Schroder Institutional European Fund. We have provided an outline of the merger proposal below and further details can be found in the enclosed Circular.

Before the merger can take place it is necessary to undertake a formal legal process to obtain investor approval. The Circular provides you with full details of the proposed merger including a timetable, an explanation of the differences between your current fund and the Schroder Institutional European Fund and details of the unitholder meeting at which you will have an opportunity to vote on the merger proposal. Please note that the Notice of Meeting of unitholders can be found on page 17 of the Circular.

**Why are we merging these two funds?**

The two funds have almost identical objectives, investing predominantly in large cap European equities; they have a very similar profile in terms of stocks, sectors and countries. 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 the performance of the Schroder Institutional European Fund has been comparatively better over 1, 3 and 5 year periods.

**What are the differences between the two funds?**

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 your Fund does have a greater exposure to small and mid cap stocks.

Your current fund is managed by Riitta Hujanen and the Schroder Institutional European Fund is managed by Martin Skanberg and Rory Bateman.

Unlike your current fund, which is dual-priced, the Schroder Institutional European Fund is single-priced. An explanation of the differences between a single-priced and dual-priced fund can be found on page 5 of the Circular.

**If I don't want to invest in the Schroder Institutional European Fund what are my options?**

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 25 March 2011 (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 prospectuses which are available at [www.schroders.com/uk](http://www.schroders.com/uk) or on request by telephoning 0800 718 777.

If the merger is approved at the meeting of unitholders, the merger 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 at any time. Registered Office at 31 Gresham Street, London, EC2V 7QA. Registered Number 04191730 England. Authorised and regulated by the Financial Services Authority. For your security, telephone conversations may be recorded.

European Fund following the effective date of the merger, which is 25 March 2011. 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.

**Are there any costs involved?**

All costs and expenses relating to the proposals will be paid by Schroders, not by your Fund.

**Are there any tax implications?**

Based on our understanding of current UK tax law, there are no capital gains tax implications related to the fund merger.

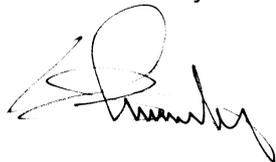
**How can I vote?**

The merger requires the passing of an Extraordinary Resolution by unitholders of your 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 return the enclosed form of proxy to arrive no later than 9:00 a.m. on 28 February 2011, using the prepaid envelope provided.

The merger proposal has been carefully considered and, in our opinion, is in the best interests of unitholders. If you have any questions or concerns about the proposals, please call your financial adviser. If you do not have a financial adviser you can find one in your area by visiting [www.unbiased.co.uk](http://www.unbiased.co.uk) or call a member of our Investor Services Team on 0800 718 777. Please be aware that Schroders does not offer investment advice.

Yours sincerely



Robin Stoakley  
**Director**  
**Schroder Unit Trusts Limited**